

L 3 COMMUNICATIONS HOLDINGS INC
Form 11-K
June 21, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 11-K

(Mark one)

ANNUAL REPORT PURSUANT TO SECTION 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 001-14141

**AVIATION COMMUNICATION &
SURVEILLANCE SYSTEMS 401(K) PLAN**

(Full title of the plan and the address of the plan,
if different from that of the issuer named below)

L-3 COMMUNICATIONS HOLDINGS, INC.

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600 Third Ave

New York, NY 10016

(Name of issuer of the securities held pursuant to the plan and
the address of its principal executive office)

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AVIATION COMMUNICATION & SURVEILLANCE SYSTEMS 401(K) PLAN

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* Refers to item number in Form 5500 (Annual Return/Report of Employee Benefit Plan) filed with the Department of Labor for the plan year ended December 31, 2011.

Other schedules required by 29 CFR 2520.103-10 of the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted as the conditions under which they are required are not present.

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Report of Independent Registered Public Accounting Firm

To the Participants and Plan Administrator of

the Aviation Communication & Surveillance Systems 401(k) Plan:

In our opinion, the accompanying Statements of Net Assets Available for Benefits and the related Statement of Changes in Net Assets Available for Benefits present fairly, in all material respects, the net assets available for benefits of the Aviation Communication & Surveillance Systems 401(k) Plan (the Plan) at December 31, 2011 and 2010, and the changes in net assets available for benefits for the year ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule of Assets (Held at End of Year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

New York, New York

June 21, 2012

Table of Contents**AVIATION COMMUNICATION & SURVEILLANCE SYSTEMS 401(K) PLAN****STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS****AS OF DECEMBER 31, 2011 AND 2010****(in thousands)**

	2011	2010
Assets:		
Investment in Master Trust, at fair value	\$ 23,845	\$ 22,482
Receivables:		
Employer contribution	46	48
Participant contributions	55	60
Notes receivable from participants	581	506
Total receivables	682	614
Total assets	24,527	23,096
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(110)	(31)
Net assets available for benefits	\$ 24,417	\$ 23,065

See accompanying notes to financial statements.

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AVIATION COMMUNICATION & SURVEILLANCE SYSTEMS 401(K) PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 31, 2011

(in thousands)

Additions:	
Contributions:	
Employer	\$ 1,465
Participant	1,893
Rollover	205
Total contributions	3,563
Interest income on notes receivables from participants	22
Total additions	3,585
Deductions:	
Plan interest in the Master Trust net investment loss	451
Benefit payments	1,746
Administrative expenses	36
Total deductions	2,233
Net increase	1,352
Net assets available for benefits, beginning of the year	23,065
Net assets available for benefits, end of the year	\$ 24,417

See accompanying notes to financial statements.

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AVIATION COMMUNICATION & SURVEILLANCE SYSTEMS 401(K) PLAN

NOTES TO FINANCIAL STATEMENTS

1. Plan Description

General

The Aviation Communication & Surveillance Systems 401(k) Plan (the Plan) was established effective June 1, 2001. Aviation Communication & Surveillance Systems, LLC (the Company) maintains the Plan for its eligible employees. The following description of the Plan provides only general information. Participants should refer to the Plan document for a more complete description of the Plan s provisions.

The Plan is a defined contribution 401(k) plan and is administered by the Benefit Plan Committee (Plan Administrator) appointed by L-3 Communications Corporation (the Company). The Plan is designed to provide eligible employees with tax advantaged long-term savings for retirement. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. Participants may direct their investment to a combination of different funds, which are held in the L-3 Communications Master Savings Plan Trust (the Master Trust), managed by Fidelity Management Trust Company (FMTC), as Trustee.

Contributions

Full time employees are eligible to participate in the Plan as of their date of hire. Part time employees must complete at least 1,000 hours of service, from the date of hire, before being eligible to participate in the Plan. Participants may contribute from 1% to 25% of total compensation, as defined. The Plan Sponsor has authority to limit certain highly compensated employees to contributions from 1% to 8% of total compensation, if needed to help the Plan pass discrimination testing. A participant may elect to increase, decrease, suspend or resume contributions at any time. The election will become effective as soon as administratively possible as of the first day of the payroll period elected. The Internal Revenue Code (IRC) limited the maximum amount an employee may contribute on a pre-tax basis in 2011 to \$16,500 for participants under 50 years of age and \$22,000 for participants 50 years of age and over. Participants are 100% vested in their individual contributions and earnings thereon. Participants have the option of investing employee contributions in the L-3 Stock Fund, as well as other available investment options offered by the Master Trust.

Each newly hired employee of the Company will be deemed to have elected to contribute 3% per pay period to the Plan. The contribution will commence on or after the 60th day following the employee s date of hire. An employee may opt out of the automatic enrollment before the 60th day or increase or decrease the percentage elected.

An employee who is automatically enrolled will have his or her pre tax contributions invested in an investment fund designated by the Benefit Plan Committee as the qualified default investment alternative (QDIA). The QDIA for the Plan was the Fidelity Freedom Funds through December 7, 2010. Effective December 8, 2010, the QDIA for the Plan was changed to the Fidelity Freedom K Funds.

The Company matches 50% (75% for employees hired on or after July 1, 2007) of participants contributions up to a maximum participant elected contribution percentage of 8% of compensation, which increases to 100% of participants contributions, up to 8% of compensation after five years of service. Company contributions are made in units of L-3 Communications Holdings, Inc. (L-3 Holdings) common stock. A participant has the right to transfer his or her employer matching contribution into one or more of the available investment funds immediately after deposit to their account.

Vesting

Company contributions for Plan participants hired before July 1, 2007 vest at 20% per year for the first 5 years of employment. Employees hired on or after July 1, 2007 are 100% vested in Company contributions at all times. Participants will also become fully vested in Company contributions and net earnings thereon upon 1) disability, 2) death or 3) the participants 65 birthday if the participant is actively employed by the Company.

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AVIATION COMMUNICATION & SURVEILLANCE SYSTEMS 401(K) PLAN

NOTES TO FINANCIAL STATEMENTS - Continued

Participant Accounts

Each participant's account is credited with the participant's contribution and allocations of (a) the Company's contribution and (b) the Plan's earnings (losses), and may be charged with certain administrative expenses. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Master Trust Investments

Generally, employer contributions are initially invested in the L-3 Stock Fund, which invests in the common stock of L-3 Holdings and a money market fund. A participant may make an investment election to transfer employer contributions to other investment options.

2. Summary of Significant Accounting Policies

Investment in Master Trust

Investment assets of the Plan are maintained in the Master Trust administered by FMTC, as Trustee. The Plan participates in the Master Trust along with the L-3 Communications Master Savings Plan, and these plans together are collectively referred to as the Participating Plans.

The investment in the Master Trust represents the Plan's specific interest in the assets of the Master Trust. The assets consist of units of funds that are maintained by FMTC. Refer to Note 3 for a list of funds and the Plan's investment in each fund as of December 31, 2011 and 2010. Contributions, benefit payments and certain administrative expenses are specifically identified and charged to the Plan.

Valuation of Investments

The investment in the Master Trust is stated at fair value. Investments in mutual funds are valued at quoted market prices, which represent the net asset value per share as reported by Fidelity Management and Research Company. The money market fund is valued at cost plus accrued interest, which approximates fair value. Refer to Note 4 for additional information and disclosure provided for the fair value of the Plan's investments.

The L-3 Stock Fund is a unitized fund whose value is determined by its underlying assets consisting of shares of L-3 Holdings common stock and the Fidelity Institutional Money Market Fund, sufficient to meet the Fund's daily cash requirements. The L-3 Stock Fund's unit price is computed by the Trustee daily. Shares of L-3 Holdings common stock are valued at the last reported quoted market price of a share on the last trading day of the year.

The Fidelity Managed Income Portfolio II - Class 3 (MIP), a common/collective trust fund investment, is stated at fair value with the related adjustment to contract value for fully benefit-responsive investment contracts (see Basis of Accounting below). The beneficial interest in the net assets of the MIP is represented by units. The fair values of investments in the MIP are determined using Net Asset Value (NAV) provided by the administrator of the fund, which is determined daily. Issues and redemptions of units are recorded upon receipt of unit holder's instructions based on the determined NAV per unit. Refer to Note 5 for the valuation techniques used by FMTC to measure fair value of the MIP's investment in fully benefit-responsive investment contracts.

Basis of Accounting

The financial statements of the Plan are prepared under the accrual method of accounting, except for the recording of benefit payments, as discussed below.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosures of contingent assets and liabilities. Actual results will differ from these estimates. The most significant estimate relates to

valuations of investments in the Master Trust.

The Plan's investments are stated at fair value. Refer to Note 3 for additional information and disclosure provided for the fair value of the Plan's investments.

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AVIATION COMMUNICATION & SURVEILLANCE SYSTEMS 401(K) PLAN

NOTES TO FINANCIAL STATEMENTS - Continued

Investment contracts held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Plan invests in fully benefit-responsive investment contracts through the MIP Fund. The Statements of Net Assets Available for Benefits include the MIP Fund at fair value. The portion of the MIP Fund's related investment in fully benefit-responsive investment contracts is adjusted to contract value from fair value on the Statements of Net Assets Available for Benefits. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis.

Investment Transactions and Investment Income/Loss

Investment transactions by the Master Trust are accounted for on a trade-date basis. Dividend income is recorded on the ex-dividend date. Interest income is recorded on an accrual basis. Gains and losses on sales of investment securities are determined based on the average cost method. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Forfeitures

Non-vested Company contributions are forfeited upon a participant's five year break in service or withdrawal of vested balance, if earlier, and are used by the Company to reduce future Company contributions and to pay plan expenses. Forfeitures utilized during 2011 were \$34,314. Forfeitures available for future use at December 31, 2011 and 2010 were \$5,361 and \$24,398, respectively.

Benefit Payments

Benefit payments are recorded when paid.

Plan Expenses

The Plan provides for the payment of all its administrative expenses, including trustee, record keeping, consulting, audit and legal fees, from available forfeitures. Loan administration fees are charged to participants. In the event that forfeitures are not available, the Company pays for administrative expenses. Taxes and investment fees related to the stock or mutual funds are paid from the net assets of such funds.

Risks and Uncertainties

The Plan provides for various investment fund options, which in turn invest in any combination of stocks, bonds and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the Statement of Net Assets Available for Benefits and the Statement of Changes in Net Assets Available for Benefits.

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The fair value of the investments of the Master Trust held by the Trustee and the Plan's portion of the fair value at December 31, 2011 and 2010 are presented in the table below. The Master Trust represents 5% or more of the Plan's net assets available for benefits at December 31, 2011 and 2010. The Plan's percentage interest in the Master Trust was less than one percent at December 31, 2011 and 2010.

Fund	Master Trust		Plan's Portion	
	2011	2010	2011	2010
		(in thousands)		
Investments at Fair Value as Determined by Quoted Market Price:				
American Funds Growth Fund of America Class R6*	\$ 149,108	\$ 161,146	\$ 561	\$ 623
BlackRock High Yield Bond Portfolio. BlackRock Shares *	64,219	54,155	501	436
Calamos Growth Fund Institutional Class*	144,480	164,913	1,005	1,132
Davis New York Venture Fund, Inc. Class Y*	97,571	107,958	327	367
Dodge & Cox Income Fund*	168,181	160,663	1,233	1,162
Dodge & Cox Stock Fund*	188,336	206,320	1,047	1,566
Fidelity Balanced Fund Class K*	33,712	23,217	98	78
Fidelity Diversified International Fund Class K*	172,323	215,256	1,042	1,227
Fidelity Freedom K 2000 Fund*	14,706	14,029	61	41
Fidelity Freedom K 2005 Fund*	2,401	1,079	6	6
Fidelity Freedom K 2010 Fund*	83,514	94,681	222	246
Fidelity Freedom K 2015 Fund*	26,996	19,510	136	44
Fidelity Freedom K 2020 Fund*	154,857	153,798	921	913
Fidelity Freedom K 2025 Fund*	34,597	20,885	113	64
Fidelity Freedom K 2030 Fund*	110,370	105,646	1,212	1,174
Fidelity Freedom K 2035 Fund*	17,969	10,956	216	112
Fidelity Freedom K 2040 Fund*	28,025	23,562	123	125
Fidelity Freedom K 2045 Fund*	15,526	10,079	17	1
Fidelity Freedom K 2050 Fund*	20,886	15,074	77	68
Fidelity Ginnie Mae Fund*	125,316	112,228	684	496
Fidelity Magellan Fund Class K*	127,022	157,418	736	1,027
Spartan U.S. Equity Index Fund Advantage Class*	151,420	139,272	1,133	723
T. Rowe Price Small-Cap Stock Fund*	218,420	214,631	1,178	937
Victory Special Value Fund Class I*	18,519	18,826	110	96
Vanguard Inflation Protected Securities Fund Investor Shares *	44,805	10,266	212	71
Spartan Global US Index*	110			
Spartan Mid Cap Index*	187			
Spartan Small Cap Index*	323			
	\$ 2,213,899	\$ 2,215,568	\$ 12,971	\$ 12,735
Investments at Fair Value				
L-3 Stock Fund	645,965	656,530	6,355	6,622
Fidelity Managed Income Portfolio II Class 3**	659,072	620,050	4,519	3,125
	1,305,037	1,276,580	10,874	9,947
	\$ 3,518,936	\$ 3,492,148	\$ 23,845	\$ 22,482

- * Mutual Fund
- ** Common/Collective Trust Fund

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The investment loss of the Master Trust and the Plan's portion of the investment loss for the year ended December 31, 2011 is presented in the table below.

	Master Trust	Plan's Portion
	(in thousands)	
Investment loss:		
Net depreciation in investments	\$ (185,295)	\$ (1,163)
Interest and dividend income	110,388	712
Net investment loss	\$ (74,907)	\$ (451)

Net depreciation in the fair value of investments in the Master Trust includes approximately \$33,975,074 of net depreciation related to the L-3 Stock Fund and \$151,319,956 of net depreciation related to mutual funds.

Net depreciation in the fair value of the Plan's investment, consists of the Plan's proportionate share of realized gains or losses and unrealized appreciation or depreciation on those investments. The net depreciation and interest and dividends are allocated to the Participating Plans based upon the relationship of each Participating Plan's respective monthly balances in the investment pool to the total investment pool of the Master Trust, as determined at the beginning of each month.

4. Fair Value Measurements

The Plan applies the accounting standards for fair value measurements to all of the Plan's investments that are measured and recorded at fair value. Fair value is defined as the price that would be received for an asset or the exit price that would be paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants. The three levels of the fair value hierarchy defined by the standard are described below.

- Level 1: Quoted market prices available in active markets for identical assets or liabilities as of the reporting date. The Plan's Level 1 assets include mutual funds, whose fair values are derived from quoted market prices.
- Level 2: Pricing inputs, other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable. The Plan's Level 2 assets include the L-3 Stock Fund and the MIP Fund. Refer to Note 5 for the valuation techniques used by FMTC to measure the fair value of the MIP Fund's investment in fully benefit-responsive investment contracts.
- Level 3: