

L 3 COMMUNICATIONS HOLDINGS INC
Form 424B3
October 31, 2002

Filed Pursuant to Rule 424(b)(3)
Registration File No.: 333-99693

PROSPECTUS

L-3 COMMUNICATIONS HOLDINGS, INC.

448,582 SHARES OF COMMON STOCK

All of the common stock offered hereby may be sold from time to time by and for the account of the selling stockholders named in this prospectus.

The methods of sale of the common stock offered hereby are described under the heading "Plan of Distribution." We will receive none of the proceeds from such sales.

The selling stockholders and any broker-dealers that participate in the distribution of the common stock offered hereby may be deemed to be "underwriters" within the meaning of the Securities Act of 1933. As a result, any commission or profit on the resale of shares received by such broker-dealers may be deemed to be underwriting commissions and discounts under the Securities Act. Upon being notified by the selling stockholders that any material arrangement has been entered into with a broker or dealer for the sale of the shares through a secondary distribution, or a purchase by a broker or dealer, a supplemented prospectus will be filed, if required, disclosing among other things the names of such brokers and dealers, the number of shares involved, the price at which such shares are being sold and the commissions paid or the discounts or concessions allowed to such broker-dealers.

The common stock of the Company is listed on the New York Stock Exchange (Symbol: LLL). On October 30, 2002, the closing price of the shares was \$45.80 per share.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

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The date of this Prospectus is October 31, 2002.

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THE COMPANY

We are a leading merchant supplier of secure communications and intelligence, surveillance and reconnaissance (ISR) systems, training, simulation and support services, aviation products and aircraft modernization, as well as specialized products. Our businesses employ proprietary technologies and capabilities, and we believe our businesses have leading positions in their respective primary markets. Our customers include the U.S. Department of Defense and prime contractors thereof, certain U.S. Government intelligence agencies, major aerospace and defense contractors, foreign governments, commercial customers and certain other U.S. federal, state and local government agencies.

Our principal executive offices are located at 600 Third Avenue, New York, New York 10016, and our telephone number is (212) 697-1111.

USE OF PROCEEDS

We will not receive any of the proceeds from the sale of the shares offered by the selling stockholders.

SELLING STOCKHOLDERS

The selling stockholders listed below received shares as partial consideration in connection with our acquisition of ComCept, Inc. ("ComCept"). The selling shareholders may receive additional consideration in cash or common stock, which is contingent on the performance of ComCept for each of

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its fiscal years ending June 30, 2003 and June 30, 2004. The maximum additional common stock which may be payable to the selling stockholders for that additional contingent consideration is 219,088 shares, which would be distributed to the selling stockholders on a pro rata basis.

The following table states the number of shares of our outstanding common stock that the selling stockholders own resulting from payments made in our common stock in connection with our acquisition of ComCept, the number of such shares that may be sold for the account of the selling stockholders, and the number of shares that will be owned by the selling stockholders assuming the sale of all the shares offered hereby.

SELLING STOCKHOLDER	NUMBER OF SHARES OF COMMON STOCK OWNED	NUMBER OF SHARES OF COMMON STOCK TO BE SOLD	NUMBER OF SHARES OF COMMON STOCK OWNED AFTER SALE
Adelbert W. Carpenter	6,405	6,405	0
Anne L. Wester	5,025	5,025	0
Ben K. Howell	2,540	2,540	0
Brian D. Cullen	99,402	99,402	0
Christopher Christon	4,528	4,528	0
David L. Tschoerner	6,074	6,074	0
Dee Ann Watkins	1,397	1,397	0
Dennis R. Baas	7,731	7,731	0
Frederick L. Wahl	5,522	5,522	0
George M. Eargle	11,486	11,486	0
James C. Glenn, Jr.	1,325	1,325	0
Lex E. Thornton	1,833	1,833	0
Mark R. Von Schwarz	13,253	13,253	0
Michael C. Greer	17,671	17,671	0
Neal B. Cooper	12,480	12,480	0
Philip A. Yates	3,092	3,092	0
Robert E. Dryden	20,984	20,984	0
Robert S. Dunn	353	353	0
Robert L. Amick	7,731	7,731	0
Robert R. Spaulding	662	662	0
	-----	-----	---
	229,494	229,494	0
	=====	=====	===

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma condensed consolidated statements of operations ("pro forma statement of operations") data gives effect to the following transactions as if they had occurred on January 1, 2001: (1) our acquisition of AIS, which was completed on March 8, 2002, our acquisition of the detection systems business of PerkinElmer, which was completed on June 14, 2002 and the acquisitions of KDI Precision Products, Inc., EER Systems, Inc., Spar Aerospace Limited, Emergent Government Services Group, Bulova Technologies, and SY Technology, Inc., which we completed during the year ended December 31, 2001, and their related financings (collectively, the "Acquisitions"), (2) the offering of \$750.0 million 7 5/8% Senior Subordinated

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Notes due 2012 by L-3 Communications and the concurrent sale by L-3 Communications Holdings, Inc. of 14,000,000 shares of its common stock, par value \$.01 per share (collectively, the "Offerings") and (3) the application of the net proceeds of those offerings to repay \$500.0 million of indebtedness outstanding under our senior subordinated interim loan agreement incurred in connection with our acquisition of AIS, repay the \$445.6 million of indebtedness outstanding under our senior credit facilities, to repurchase and redeem our 10 3/8% Senior Subordinated Notes due 2007 for approximately \$237.4 million and increase our cash and cash equivalents, which will be used for general corporate purposes, including potential acquisitions. All of the Acquisitions described above are included in our consolidated balance sheet as of June 30, 2002, and therefore, an unaudited pro forma condensed consolidated balance sheet is not provided.

The pro forma statements of operations do not include an extraordinary pre-tax charge of \$16.2 million (\$9.9 million after-tax) related to the repurchase and redemption of our \$225.0 million 10 3/8% Senior Subordinated Notes due 2007. The extraordinary charge includes the call premium of 5.188% or approximately \$11.7 million and fees and other expenses of approximately \$4.5 million, including the write-off of unamortized deferred debt issue costs relating to the \$225.0 million 10 3/8% Senior Subordinated Notes due 2007. The extraordinary charge is not included in the pro forma statements of operations because it is not a component of income (loss) from continuing operations. However, had the repurchase and redemption occurred on January 1, 2001, the extraordinary charge would have reduced pro forma basic earnings per common share by \$0.11 and pro forma diluted earnings per common share by \$0.10 for the six months ended June 30, 2001 and for the year ended December 31, 2001.

The pro forma adjustments related to our Acquisitions are based on preliminary purchase prices and purchase price allocations. Actual adjustments will be based on final purchase prices, audited historical net assets for the Acquisitions, and final appraisals and other analyses of fair values of contracts in process, inventories, estimated costs in excess of billings to complete contracts in process, identifiable intangibles, pension and postretirement benefit obligations and deferred tax assets and liabilities, which will be completed after we obtain and review all of the data required for the acquired assets and liabilities and complete our valuations of them. Differences between the preliminary and final purchase price allocations could have a material impact on our results of operations and financial position. The unaudited pro forma condensed consolidated statement of operations does not reflect any cost savings that we believe would have resulted had the Acquisitions occurred on January 1, 2001.

The unaudited pro forma condensed consolidated financial information should be read in conjunction with (1) our unaudited condensed consolidated financial statements for the six months ended June 30, 2002 and 2001, and our audited consolidated financial statements for the year ended December 31, 2001 incorporated by reference in this prospectus; and (2) the audited combined financial statements of AIS for the year ended December 31, 2001 incorporated by reference in this prospectus. The other historical statement of operations data for the Acquisitions are based on unaudited financial statement data not included or incorporated by reference herein. The unaudited pro forma condensed consolidated financial information may not be indicative of the results of operations that actually would have occurred had the Acquisitions and the Offerings been completed on January 1, 2001 or the results of our operations that may be obtained in the future.

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FOR THE SIX MONTHS ENDED JUNE 30, 2002
(IN MILLIONS)

	L-3 AS REPORTED	ACQUISITION HISTORICAL (1) (2)	PRO FORMA ADJUSTMENTS FOR OUR ACQUISITIONS	PRO FORMA FOR OUR ACQUISITIONS
Sales	\$ 1,652.0	\$ 276.6	\$ --	\$ 1,928.6
Costs and expenses	1,483.0	267.9	--	1,750.9
Operating income	169.0	8.7	--	177.7
Interest and other income (expense)	0.8	--	(1.5) (3)	(0.7)
Interest expense	57.7	--	8.1 (4)	65.8
Minority interest	2.7	--	--	2.7
Income (loss) before income taxes and extraordinary item	109.4	8.7	(9.6)	108.5
Provision (benefit) for income taxes(6)	38.6	6.0	(3.8)	40.8
Income (loss) from continuing operations	\$ 70.8	\$ 2.7	\$ (5.8)	\$ 67.7
Earnings per share:(7)				
Basic	\$ 0.89			\$ 0.85
Diluted	\$ 0.84			\$ 0.81
Weighted average common shares outstanding:(7)				
Basic	79.4			79.4
Diluted	90.1			90.1

See notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

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UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2001
(IN MILLIONS)

L-3
AS ACQUISITIONS

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	REPORTED	HISTORICAL (1) (8)
Sales	\$ 1,023.5	\$ 667.2
Costs and expenses	916.1	649.3
Operating income	107.4	17.9
Interest and other income (expense)	1.4	(5.9)
Interest expense	46.4	0.4
Minority interest	1.6	--
Income (loss) before income taxes	60.8	11.6
Provision (benefit) for income taxes(6)	23.3	5.3
Income (loss) from continuing operations	37.5	6.3
Goodwill amortization expense, net of tax	15.8	--
Income (loss) from continuing operations, as adjusted	\$ 53.3	\$ 6.3
Earnings per share:(7)		
Basic	\$ 0.52	
Basic, as adjusted	\$ 0.75	
Diluted	\$ 0.50	
Diluted, as adjusted	\$ 0.71	
Weighted average common shares outstanding:(7)		
Basic	71.5	
Diluted	74.8	

	PRO FORMA ADJUSTMENTS FOR OUR ACQUISITIONS	PRO FORMA FOR OUR ACQUISITIONS	ADJUSTMENTS FOR THE OFFERINGS	PRO FORMA FOR OUR ACQUISITION AND THE OFFERING
Sales	\$ --	\$ 1,690.7	\$ --	\$ 1,690.7
Costs and expenses	(14.8) (9)	1,550.6	--	1,550.6
Operating income	14.8	140.1	--	140.1
Interest and other income (expense)	(1.4) (3)	(5.9)	--	(5.9)
Interest expense	46.1 (4)	92.9	(20.0) (5)	72.9
Minority interest	--	1.6	--	1.6

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Income (loss) before income taxes	(32.7)	39.7	20.0	59.
Provision (benefit) for income taxes(6)	(13.9)	14.7	8.0	22.
	-----	-----	-----	-----
Income (loss) from continuing operations	(18.8)	25.0	12.0	37.
Goodwill amortization expense, net of tax	--	15.8	--	15.
	-----	-----	-----	-----
Income (loss) from continuing operations, as adjusted	\$ (18.8)	\$ 40.8	\$ 12.0 (10)	\$ 52.
	=====	=====	=====	=====
Earnings per share:(7)				
Basic		\$ 0.32		\$ 0.
		=====		=====
Basic, as adjusted		\$ 0.53		\$ 0.
		=====		=====
Diluted		\$ 0.31		\$ 0.
		=====		=====
Diluted, as adjusted		\$ 0.50		\$ 0.
		=====		=====
Weighted average common shares outstanding:(7)				
Basic	6.1 (11)	77.6	14.0	91.
	=====	=====	=====	=====
Diluted	6.1 (11)	80.9	14.0	94.
	=====	=====	=====	=====

See notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

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UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2001
(IN MILLIONS)

	L-3 AS REPORTED	ACQUISITIONS HISTORICAL (1) (12)
	-----	-----
Sales	\$ 2,347.4	\$ 1,296.0
Costs and expenses	2,072.1	1,235.5
	-----	-----
Operating income	275.3	60.5
Interest and other income (expense)	1.8	(11.3)
Interest expense	86.3	0.5
Minority interest	4.5	--
	-----	-----
Income (loss) before income taxes	186.3	48.7
Provision (benefit) for income		

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taxes(6)	70.8	24.7
	-----	-----
Income (loss) from continuing operations	115.5	24.0
Goodwill amortization expense, net of tax	33.9	--
	-----	-----
Income (loss) from continuing operations, as adjusted	\$ 149.4	\$ 24.0
	=====	=====
Earnings per share:(7)		
Basic	\$ 1.54	
	=====	
Basic, as adjusted	\$ 1.99	
	=====	
Diluted	\$ 1.47	
	=====	
Diluted, as adjusted	\$ 1.87	
	=====	
Weighted average common shares outstanding:(7)		
Basic	74.9	
	=====	
Diluted	85.4	
	=====	

	PRO FORMA ADJUSTMENTS FOR OUR ACQUISITIONS	PRO FORMA FOR OUR ACQUISITIONS	ADJUSTMENTS FOR THE OFFERINGS	PRO FORMA FOR OUR ACQUISITION AND THE OFFERING
	-----	-----	-----	-----
Sales	\$ --	\$ 3,643.4	\$ --	\$ 3,643.4
Costs and expenses	(30.0) (9)	3,277.6	--	3,277.6
	-----	-----	-----	-----
Operating income	30.0	365.8	--	365.8
Interest and other income (expense)	(3.8) (3)	(13.3)	--	(13.3)
Interest expense	82.0 (4)	168.8	(32.4) (5)	136.8
Minority interest	--	4.5	--	4.5
	-----	-----	-----	-----
Income (loss) before income taxes	(55.8)	179.2	32.4	211.4
Provision (benefit) for income taxes(6)	(21.2)	74.3	13.0	87.4
	-----	-----	-----	-----
Income (loss) from continuing operations	(34.6)	104.9	19.4	124.9
Goodwill amortization expense, net of tax	--	33.9	--	33.9
	-----	-----	-----	-----
Income (loss) from continuing operations, as adjusted	\$ (34.6)	\$ 138.8	\$ 19.4 (10)	\$ 158.8
	=====	=====	=====	=====

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Earnings per share:(7)				
Basic		\$ 1.35		\$ 1.
		=====		=====
Basic, as adjusted		\$ 1.78		\$ 1.
		=====		=====
Diluted		\$ 1.30		\$ 1.
		=====		=====
Diluted, as adjusted		\$ 1.69		\$ 1.
		=====		=====
Weighted average common shares outstanding:(7)				
Basic	3.1 (11)	78.0	14.0	92.
	=====	=====	=====	=====
Diluted	3.1 (11)	88.5	14.0	102.
	=====	=====	=====	=====

See notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

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NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. On March 8, 2002, we acquired AIS for \$1,152.7 million in cash which includes \$1,130.0 million for the original contract purchase price, \$4.0 million for estimated acquisition costs and an increase to the contract purchase price of \$18.7 million related to additional assets contributed by Raytheon to AIS. The purchase price is subject to adjustment based on the AIS closing date net tangible book value, as defined. The AIS acquisition was financed using cash on hand as well as available borrowings under our senior credit facilities and a \$500.0 million senior subordinated interim loan. On June 14, 2002, we acquired the detection systems business of PerkinElmer ("PKI") for \$100.0 million in cash plus acquisition costs, subject to adjustment based on closing date net working capital, as defined. During the year ended December 31, 2001, we also made the following acquisitions:
 - o in May 2001, all the outstanding common stock of KDI Precision Products, Inc. ("KDI") for \$79.4 million in cash including acquisition costs.
 - o in May 2001, all the outstanding common stock of EER Systems, Inc. ("EER") for \$119.5 million in cash including acquisition costs, and subject to an additional purchase price not to exceed \$5.0 million which is contingent upon the financial performance of EER for the year ending December 31, 2002.
 - o in November and December 2001, 70.3% of the outstanding common stock of Spar Aerospace Limited ("Spar") for \$105.1 million in cash including acquisition costs. We acquired and paid for the remaining outstanding common stock of Spar in January 2002 for \$43.6 million.
 - o in November 2001, all the outstanding common stock of Emergent Government Services Group ("EMG") for \$39.8 million, subject to adjustment based on closing date net working capital. Following the acquisition, we changed Emergent Government Services Group's name to L-3 Communications Analytics.
 - o in December 2001, the net assets of Bulova Technologies for \$49.5 million, subject to adjustment based on closing date net assets.

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Following the acquisition, we changed Bulova Technologies name to BT Fuze Products ("BT Fuze").

- o in December 2001, the net assets of SY Technology Inc. ("SY") for \$49.8 million, subject to adjustment based on closing date net assets, and additional purchase price not to exceed \$3.0 million, which is contingent upon the financial performance of SY for the years ending December 31, 2002 and 2003.

The aggregate purchase price of these acquisitions, including acquisition costs, is \$1,739.4 million.

2. The pro forma statement of operations for the six months ended June 30, 2002 includes the following unaudited historical financial data for our Acquisitions.

	AIS (a)	PKI (b)	ACQUISITIONS
	-----	-----	-----
	(IN MILLIONS)		
Sales	\$ 213.4	\$ 63.2	\$ 276.6
Costs and expenses	209.1	58.8	267.9
	-----	-----	-----
Operating income	4.3	4.4	8.7
Interest and other income	--	--	--
Interest expense	--	--	--
	-----	-----	-----
Income before income taxes and extraordinary item	4.3	4.4	8.7
Income tax provision	2.4	3.6	6.0
	-----	-----	-----
Income from continuing operations	\$ 1.9	\$ 0.8	\$ 2.7
	=====	=====	=====

- (a) Represents historical results of operations for the two-month period ended February 28, 2002.
- (b) Represents historical results of operations for the period from January 1, 2002 to June 14, 2002.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

3. Our historical interest income has been eliminated because the cash and cash equivalents which earned the interest income were obtained from the net proceeds from the CODES (as defined below) offering and the May 2001 Common Stock Offering (as defined below) that were assumed entirely to be used to finance the Acquisitions. Such eliminations amounted to \$1.5 million for the six months ended June 30, 2002, \$1.4 million for the six months ended June 30, 2001 and \$3.8 million for the year ended December 31, 2001.

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4. The aggregate purchase prices, including acquisition costs, for the Acquisitions of \$1,739.4 million were assumed to be financed at January 1, 2001 using (1) borrowings under our senior credit facilities of \$445.6 million, (2) borrowings of \$500.0 million under the senior subordinated interim loan, (3) cash on hand of \$32.7 million, (4) the net proceeds from the sale of \$420.0 million of 4% Senior Subordinated Convertible Contingent Debt Securities due September 15, 2011 ("CODES") in October and November of 2001, which amounted to \$407.5 million, and (5) the net proceeds from our public offering of 9,150,000 shares of our common stock in May 2001 (the "May 2001 Common Stock Offering") which amounted to \$353.6 million. The borrowings under the senior credit facilities and the senior subordinated interim loan that we made to finance the AIS acquisition were included in our historical results of operations effective March 1, 2002.

The adjustments to our historical interest expense for the six months ended June 30, 2002 and 2001 and the year ended December 31, 2001 to give effect to the financing of the Acquisitions are presented below.

	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER 31,
	2002	2001	2001
	(IN MILLIONS)		
Interest on borrowings under the senior credit facilities (on \$445.6 million) for the periods prior to March 1, 2002(a)	\$ 3.6	\$ 15.8	\$ 29.3
Interest on senior subordinated interim loan (on \$500.0 million) for the periods prior to March 1, 2002(a)	4.5	21.6	38.0
Interest on the CODES offering for the periods prior to October 31, 2001 (4% on \$420.0 million for 10 months).	--	8.4	14.0
Amortization of deferred debt issue costs incurred on the CODES for periods prior to October 31, 2001	--	0.7	1.2
Eliminate historical interest expense for the KDI and SY Technology acquisitions	--	(0.4)	(0.5)
	-----	-----	-----
Total pro forma adjustments to interest expense	\$ 8.1	\$ 46.1	\$ 82.0
	=====	=====	=====

- (a) The adjustments to pro forma interest for the pro forma adjustments for borrowings under the senior credit facilities and senior subordinated interim loan are based on the average prevailing interest rates that L-3 would have paid on those borrowings for the periods presented had such borrowings been outstanding at the beginning of each of the periods presented. The average prevailing interest rates on the senior credit facilities would have been 4.86% for the six months ended June 30, 2002, 7.11% for the six months ended June 30, 2001 and 6.57% for the year ended December 31, 2001. The average prevailing interest rates on the senior subordinated interim loan would have been 5.36% for the six months ended June 30, 2002, 8.65% for the six months ended June 30, 2001, and 7.59%

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for the year ended December 31, 2001.

NOTES TO UNAUDITED PRO FORMA CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

5. Assuming the offering of the senior subordinated notes by L-3 Communications and the concurrent sale of common stock of 14,000,000 million shares were completed on January 1, 2001, the net aggregate proceeds from the Offerings of \$1,499.4 million, after deductions for underwriting commissions and discounts and other offering expenses totaling \$43.0 million, would have been applied to repay all of the borrowings under the senior subordinated interim loan of \$500.0 million, repurchase and redeem our 10 3/8% Senior Subordinated Notes due 2007, repay \$445.6 million of borrowings outstanding under the senior credit facilities and \$316.4 million would have been invested in cash and cash equivalents. Total interest expense after the pro forma adjustments for our Acquisitions but prior to the Offerings amounted to \$65.8 million for the six months ended June 30, 2002, \$92.9 million for the six months ended June 30, 2001, and \$168.8 million for the year ended December 31, 2001. As a result of the Offerings, total pro forma interest expense would have decreased by \$6.8 million for the six months ended June 30, 2002, \$20.0 million for the six months ended June 30, 2001 and \$32.4 million for the year ended December 31, 2001. The details of the changes to interest expense are described in the table below.

	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER 31,
	2002	2001	
	(IN MILLIONS)		
Estimated interest on \$750.0 million 75/8% Senior Subordinated Notes offered by L-3 Communications	\$ 28.6	\$ 28.6	\$ 57.2
Amortization of deferred debt issue costs incurred on \$750.0 million Senior Subordinated Notes offered by L-3 Communications	0.9	0.9	1.8
Eliminate interest on the senior subordinated interim loan(a)	(13.4)	(21.6)	(38.0)
Eliminate interest on \$225.0 million 10 3/8% Senior Subordinated Notes due 2007	(11.7)	(11.7)	(23.3)
Eliminate amortization of deferred debt issue costs incurred on \$225.0 million 10 3/8% Senior Subordinated Notes due 2007	(0.4)	(0.4)	(0.8)
Eliminate interest on borrowings under the senior credit facilities (on \$445.6 million)(a)	(10.8)	(15.8)	(29.3)
Total adjustments to pro forma interest expense	\$ (6.8)	\$ (20.0)	\$ (32.4)

-
- (a) The adjustments to pro forma interest expense for the pro forma adjustments for borrowings under the senior credit facilities and senior subordinated interim loan are based on the average prevailing interest rates that L-3 would have paid on those borrowings for the periods presented had such borrowings been outstanding at the beginning of each of the periods presented. The average prevailing interest rates on the senior credit facilities would have been 4.86% for the six months ended June 30, 2002, 7.11% for the six months ended June 30, 2001 and 6.57% for the year ended December 31, 2001. The average prevailing interest rates on the senior subordinated interim loan would have been 5.36% for the six months ended June 30, 2002, 8.65% for the six months ended June 30, 2001, and 7.59% for the year ended December 31, 2001.

The pro forma statements of operations do not reflect interest income on the \$316.4 million pro forma cash balance at January 1, 2001 that we would have had after the Offerings.

6. The pro forma adjustments for our Acquisitions and the Offerings were all tax-effected, as appropriate, using an estimated statutory (federal and state) tax rate of 40.0%. The pro forma

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NOTES TO UNAUDITED PRO FORMA CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

adjustments also include an income tax (benefit) provision ((\$0.8) million for the six months ended June 30, 2001 and \$1.1 million for the year ended December 31, 2001) to record the aggregate income tax expense for the historical results of operations of KDI, EER, BT Fuze and SY to the statutory income tax rate of 40.0% that they would have incurred had we acquired them on January 1, 2001, but did not because they were not subject to income tax prior to their acquisition by us.

7. Our diluted weighted average shares outstanding and diluted earnings per share give effect to the assumed conversion of the 7,361,964 shares issuable upon the conversion of \$300.0 million of our 5 1/4% Convertible Senior Subordinated Notes due 2009 (the "Convertible Notes"). The assumed conversion results in the addition of \$5.2 million of after-tax interest expense savings to reported net income for the six months ended June 30, 2002 and \$10.5 million for the year ended December 31, 2001 for the purposes of calculating diluted earnings per share. The assumed conversion of the Convertible Notes for the six months ended June 30, 2001 were anti-dilutive, and therefore, their conversion was not assumed for that period.
8. The pro forma statement of operations for the six months ended June 30, 2001 includes the following unaudited historical financial data for our Acquisitions.

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	KDI (a)	EER (a)	SPAR	EMG	BT FUZE
(IN MILLIONS)					
Sales	\$ 16.2	\$ 49.3	\$ 48.1	\$ 33.0	\$ 13.4
Costs and expenses	16.6	47.4	41.5	30.4	13.7
Operating income (loss)	(0.4)	1.9	6.6	2.6	(0.3)
Interest and other income (expense)	(1.6) (b)	(4.0) (c)	0.5	--	--
Interest expense	0.3	--	--	--	--
Income (loss) before income taxes	(2.3)	(2.1)	7.1	2.6	(0.3)
Income tax provision (benefit)	--	--	2.7	--	--
Income (loss) from continuing operations	\$ (2.3)	\$ (2.1)	\$ 4.4	\$ 2.6	\$ (0.3)

	PKI	ACQUISITIONS
Sales	\$ 41.1	\$ 667.2
Costs and expenses	43.6	649.3
Operating income (loss)	(2.5)	17.9
Interest and other income (expense)	(0.1)	(5.9)
Interest expense	--	0.4
Income (loss) before income taxes	(2.6)	11.6
Income tax provision (benefit)	(1.0)	5.3
Income (loss) from continuing operations	\$ (1.6)	\$ 6.3

(a) Represents historical results of operations for the four-month period ended April 30, 2001.

(b) Includes a charge to write-down excess inventory of \$1.7 million.

(c) Includes a charge of \$4.2 million of investment banking fees and other non-recurring charges.

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9. Adjustments to costs and expenses relating to the Acquisitions are presented in the table below:

	SIX MONTHS ENDED JUNE 30, 2001	YEAR ENDED DECEMBER 31, 2001

(IN MILLIONS)		
Eliminate historical goodwill amortization		
for AIS, EMG, Spar and PKI(a)	\$ (15.5)	\$ (30.7)
Increase to goodwill amortization for KDI and EER		
for higher goodwill recorded by L-3 than their		
historical amounts of goodwill(a)	0.7	0.7
	-----	-----
Total pro forma adjustments to costs and		
expenses	\$ (14.8)	\$ (30.0)
	=====	=====

(a) In accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, no goodwill amortization expenses would have been recorded by us in 2001 for the acquisitions of EMG, Spar, BT Fuze, SY, AIS and PKI because these acquisitions were completed after June 30, 2001. Additionally, in accordance with SFAS No. 142, effective January 1, 2002 goodwill amortization is no longer being recorded for any of the Acquisitions.

The assets and liabilities recorded in connection with the purchase price allocations for the Acquisitions are all based upon preliminary estimates of fair values for contracts in process, estimated costs in excess of billings to complete contracts in process, inventories, identifiable intangibles and deferred taxes. Actual adjustments will be based on the final purchase prices and final appraisals and other analyses of fair values which are in process. With the exception of the AIS acquisition, we do not expect the differences between the preliminary and final purchase price allocations for the acquisitions to be material. Material differences between the preliminary and final purchase price allocations for the AIS acquisition could result from the valuation of contracts in process, estimated costs in excess of billings to complete contracts in process, identifiable intangibles, deferred income taxes and pension and postretirement benefits and other items. A review of the contracts in process and identifiable intangible assets included in the AIS acquisition is being performed. All of the data required to prepare this review and the related valuations is not currently available and at this time it is not practicable to reasonably estimate these valuations. In addition, no adjustment has been made to contracts in process which will be valued at their estimated contract prices less the estimated costs to complete and an allowance for a normal profit on the effort to complete such contracts. Although the final purchase price allocation for the contracts in process, estimated costs in excess of billings to complete contracts in process, deferred taxes and pension and postretirement benefits of AIS could materially affect the amount of goodwill recorded for AIS, such final purchase price allocations are not expected to have a material effect on our results of operations. Furthermore, any allocation

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of purchase price to identifiable intangible assets with finite lives will result in additional amortization expense and a reduction to the estimated goodwill for AIS. For example, an allocation of \$50.0 million to identifiable intangible assets with a 10 year life would result in an increase of \$5.0 million per annum to costs and expenses and a decrease of \$3.0 million per annum to income from continuing operations.

10. The pro forma adjustments for the Offerings for the six months ended June 30, 2001 and the year ended December 31, 2001 do not include an extraordinary charge of \$16.2 million (\$9.9 million after-tax) related to the repurchase and redemption of our \$225.0 million 10 3/8% Senior Subordinated Notes due 2007. The extraordinary charge includes the call premium of 5.188% or approximately \$11.7 million and fees and other expenses of approximately \$4.5 million, including the write-off of the unamortized deferred debt issue costs on the \$225.0 million 10 3/8% Senior Subordinated Notes due 2007. The extraordinary charge is not included in the pro forma adjustments because it is not a component of income (loss) from continuing operations. However, had the repurchase and redemption occurred on January 1, 2001, the extraordinary charge would

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NOTES TO UNAUDITED PRO FORMA CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

have reduced pro forma basic earnings per common share by \$0.11 and pro forma diluted earnings per common share by \$0.10 for the six months ended June 30, 2001 and for the year ended December 31, 2001.

11. Our basic and diluted weighted average common shares outstanding for the six months ended June 30, 2001 were increased by 6.1 million shares, and for the year ended December 31, 2001 were increased by 3.1 million shares of common stock to give effect to the assumed completion of our May 2001 Common Stock Offering as of January 1, 2001.
12. The pro forma statement of operations for the year ended December 31, 2001 includes the following unaudited historical financial data for our Acquisitions.

	KDI (a)	EER (a)	SPAR (b)
	----- (IN MILLIONS) -----		
Sales	\$ 16.2	\$ 49.3	\$ 76.9
Costs and expenses	16.6	47.4	67.8
	-----	-----	-----
Operating income (loss)	(0.4)	1.9	9.1
Interest and other income (expense)	(1.6) (d)	(4.0) (e)	(0.4) (f)
Interest expense	0.3	--	--
	-----	-----	-----
Income (loss) before income taxes	(2.3)	(2.1)	8.7
Income tax provision (benefit)	--	--	3.3
	-----	-----	-----

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Income (loss) from continuing operations	\$ (2.3)	\$ (2.1)	\$ 5.4
	=====	=====	=====

	EMG (b)	BT FUZE (c)	SY TECHNOLOGY (c)	AIS	PKI
(IN MILLIONS)					
Sales	\$ 52.2	\$ 34.7	\$ 62.0	\$ 918.6	\$ 86.1
Costs and expenses	49.1	32.8	56.5	876.7	88.6
	-----	-----	-----	-----	-----
Operating income (loss)	3.1	1.9	5.5	41.9	(2.5)
Interest and other income (expense)	(3.8) (g)	--	--	(1.4)	(0.1)
Interest expense	--	--	0.2	--	--
	-----	-----	-----	-----	-----
Income (loss) before income taxes	(0.7)	1.9	5.3	40.5	(2.6)
Income tax provision (benefit)	0.3	--	--	22.1	(1.0)
	-----	-----	-----	-----	-----
Income (loss) from continuing operations	\$ (1.0)	\$ 1.9	\$ 5.3	\$ 18.4	\$ (1.6)
	=====	=====	=====	=====	=====

-
- (a) Represents historical results of operations for the four-month period ended April 30, 2001.
 - (b) Represents historical results of operations for the ten-month period ended October 31, 2001.
 - (c) Represents historical results of operations for the eleven-month period ended November 30, 2001.
 - (d) Includes a charge to write-down excess inventory of \$1.7 million.
 - (e) Includes a charge of \$4.2 million for investment banking fees and other non-recurring charges.
 - (f) Includes a \$1.4 million restructuring charge.
 - (g) Includes a \$3.8 million restructuring charge.

The historical results of operations for KDI, EER, BT Fuze and SY do not include a provision for income taxes because they each were either an S Corporation or a Limited Liability Company and the income taxes on their income were paid by their individual stockholders rather than the entities.

PLAN OF DISTRIBUTION

We have been advised that the distribution of the common stock by the selling stockholders may be effected from time to time in one or more transactions (which may involve block transactions): (1) on the New York Stock Exchange or such other national security exchanges on which our common stock are listed, in transactions that may include special offerings and exchange

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distributions pursuant to and in accordance with the rules of such exchanges, (2) in the over-the-counter market, or (3) in transactions otherwise than on such exchanges or in the over-the-counter market, or in a combination of any such transactions. Such transactions may be effected by the selling stockholders at market prices prevailing at the time of sale, at prices related to such prevailing market prices, at negotiated prices or at fixed prices. The selling stockholders may effect such transactions by selling the common stock to or through broker-dealers and such broker-dealers will receive compensation in the form of discounts or commissions from the selling stockholders and may receive commissions from the purchasers of the common stock for whom they may act as agent (which discounts or commissions from the selling stockholders or such purchasers will not exceed those customary in the type of transactions involved).

Any broker-dealers that participate with the selling stockholders in the distribution of the common stock may be deemed to be "underwriters" within the meaning of the Securities Act, and any commissions or discounts received by such broker-dealers and any profit on the resale of the common stock by such broker-dealers might be deemed to be underwriting discounts and commissions under such act.

Upon being notified by the selling stockholders that any material arrangement has been entered into with a broker or dealer for the sale of the common stock through a secondary distribution, or a purchase by a broker or dealer, a supplemented prospectus will be filed, if required, pursuant to Rule 424(b) under the Securities Act, disclosing:

- o The names of such broker-dealers;
- o The number of shares involved;
- o The price at which such shares are being sold;
- o The commission paid or the discounts or concessions allowed to such broker-dealer;
- o Where applicable, that such broker-dealers did not conduct any investigation to verify the information set out or incorporated by reference in this prospectus, as supplemented; and
- o Other facts material to the transaction.

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AVAILABLE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934 and, in accordance therewith, file reports and other information with the SEC. Such reports and other information can be inspected and copied at the Public Reference Section of the SEC located at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington D.C. 20549 and at a regional public reference facility maintained by the SEC located at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material can be obtained from the Public Reference Section of the SEC at prescribed rates. Such material may also be accessed electronically by means of the SEC's home page on the Internet (<http://www.sec.gov>).

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As permitted by the rules and regulations of the SEC, this prospectus omits certain information contained in the registration statement on Form S-3, as amended, of which this prospectus is a part. For further information with respect to the Company and the common stock, reference is made to the registration statement and the exhibits thereto.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The SEC allows us to "incorporate by reference" the information contained in documents that we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus. Information in this prospectus supersedes information incorporated by reference that we filed with the SEC prior to the date of this prospectus, while information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings we will make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934:

- o Description of our common stock contained in our registration statement on Form S-3/A dated June 19, 2002 (File No. 333-84826);
- o Our Annual Report on Form 10-K for the fiscal year ended December 31, 2001, as amended by our Annual Report on Form 10-K/A-1 dated June 19, 2002;
- o Our Quarterly Report on Form 10-Q for the three month period ended March 31, 2002;
- o Our Quarterly Report on Form 10-Q for the three month period ended June 30, 2002;
- o Our Current Report on Form 8-K dated March 22, 2002;
- o Our Current Report on Form 8-K dated April 24, 2002;
- o Our Current Report on Form 8-K dated June 6, 2002;
- o Our Current Report on Form 8-K dated June 19, 2002, which includes our revised consolidated financial statements for the fiscal year ended December 31, 2001; and
- o Our Current Report on Form 8-K dated June 28, 2002.

You can request a copy of these filings at no cost, by writing or calling us at the following address:

L-3 Communications Holdings, Inc.
600 Third Avenue
New York, New York 10016
(212) 697-1111
Attention: Corporate Secretary.

You should only rely on the information incorporated by reference or provided in this prospectus. We have not authorized anyone else to provide you with different information. This prospectus shall not constitute an offer of shares of common stock in any state where the offer is not permitted. You should not assume that the information in this prospectus is accurate as of any date other than the date on the front of this document.

LEGAL MATTERS

The validity of the common stock offered by this prospectus will be passed upon by Simpson Thacher & Bartlett, New York, New York.

EXPERTS

The following financial statements have been incorporated by reference in this prospectus in reliance of the reports of PricewaterhouseCoopers LLP, independent accountants, given on their authority as experts in accounting and auditing:

- o Our consolidated financial statements as of December 31, 2001 and 2000 and for the three years ended December 31, 2001 incorporated by reference in this prospectus from our Current Report on Form 8-K dated June 19, 2002; and
- o The combined financial statements of Aircraft Integration Systems Business as of December 31, 2001 and 2000 and for the three years ended December 31, 2001 incorporated by reference in this prospectus from our Current Report on Form 8-K dated March 22, 2002.

L-3 COMMUNICATIONS HOLDINGS, INC.

448,582 SHARES OF COMMON STOCK

PROSPECTUS
OCTOBER 31, 2002
