

Memorandum

Friday, April 18, 1997

TO: All L-3 Communications Corporation Employees
FROM: Charlie Grouse 
SUBJECT: Employee Benefits Under L-3 Communications

As you know, the transaction to establish L-3 Communications is anticipated to be completed by the end of April. Many questions have been raised regarding the new company's benefit plans and programs. This memo will discuss the future of the benefit plans and programs under L-3 Communications.

General Overview

On March 28, 1997, a Transaction Agreement was signed by Lockheed Martin which provides for the transfer of certain of its businesses to L-3 Communications a new company formed by Messrs. Frank Lanza and Bob LaPenta, Lehman Brothers and Lockheed Martin Corporation. Under the terms of that Agreement, the management of L-3 committed to maintain substantially similar retirement and welfare benefit plans and programs as were provided affected employees by Lockheed Martin. This commitment extends to health insurance, life insurance, flexible spending accounts, short and long term disability coverages, holidays, vacation eligibility, severance policies, and pension and savings plans. Substantially the same benefit plans and programs that are in place today will continue after the transaction Closing Date, which is expected to be

before the end of April, 1997.

There will be no gaps in coverage as a result of the transaction. For example, all health insurance deductibles or co-insurance payments incurred during this year will be recognized by the L-3 plans after the transaction Closing Date. Accordingly, you will not have to double pay deductibles, and your out-of-pocket maximums will be preserved. All flexible spending account elections made for 1997 will also continue in effect. Similarly, if a participant is currently covered by a Lockheed Martin-sponsored pension or savings plan, that participant will continue to accrue benefits under the L-3 Communications plan at the same benefit level.

This transaction will not change the service providers or administrators of your benefit plans. For example Aetna will continue to serve as the health care administrator for most of our employees, Fidelity will serve as trustee and recordkeeper for the savings plan, and Chase Manhattan Bank will remain paying agent for the pension plan. With respect to your health care coverage, new health plan identification cards will be issued to reflect the new company. In the interim, you can continue to use your current health care plan cards, as well as the current "800" telephone numbers, for benefit requests and information.

Pension Plans

Those employees who participated in a pension plan sponsored by Lockheed Martin will begin participating in a pension plan sponsored by L-3 Communications after the transaction Closing Date. The same benefit formula in effect before the Closing Date will be maintained by the L-3 Communications plans for service accrued on and after the Closing Date. Service recognized by Lockheed Martin before the Closing Date will also be recognized as service in the

L-3 Communications Retirement plan. Pension plan assets will be transferred by the Lockheed Martin plan to the L-3 Communications plan so that all of your service will be recognized under one plan.

Savings Plans

Those employees who participated in a savings plan sponsored by Lockheed Martin will begin participating in the L-3 Communications Master Savings Plan beginning on the transaction Closing Date. The benefits and provisions, including the, company match formula of the new savings plan will be virtually identical to the savings plan in which you are currently participating, with one important exception relating to the investment of employee and company contributions.

After the Closing Date, company contributions that were directed to the Lockheed Martin Stock Fund will be directed in the same proportion and to the same funds as your employee contributions. Employee contributions previously directed to the Lockheed Martin Stock Fund will be invested in the Retirement Money Market Portfolio. Participants may call the Fidelity Participants Services Center at 1-800-354-7125 beginning five (5) business days after the Closing Date to redirect any employee contributions previously directed to Lockheed Martin Stock. The Savings Plan will not direct these employee contributions to any other available fund, unless you phone in an investment direction to the Services Center.

Of course, if you have previously elected to have your employee contributions invested in any other investment funds offered by the Savings Plan, then these prior

elections will remain in place. You will not need to call the Services Center if you wish to maintain your current investment directions.

There will also be two new investment options added to the L-3 Communications Master Savings Plan, the GNMA Fund, and the Growth and Income Portfolio. To obtain a prospectus for either of these funds, contact the Fidelity Participants Services Center at 1-800-354-7125.

**Transfers From Lockheed Martin Savings Plan
To The L-3 Communications Master Savings Plan**

All of your account balances, current loan records, and vesting credit will be transferred from the former Lockheed Martin Savings Plan to the new L-3 Communications Master Savings Plan. Because of the administrative tasks involved, Fidelity does not expect to complete this transfer until some time in late June 1997.

Part of this transfer will include the transfer of in kind balances from the Lockheed Martin Stock Fund, the Loral Space Stock Fund, and the Martin Materials Stock Fund. Please be aware that effective as of the Closing Date, under the Lockheed Martin Savings Plan as well as under the provisions of the L-3 Communications Master Savings Plan, participants will not be able to transfer funds into the Lockheed Martin Stock Fund, the Loral Space Stock Fund, or the Martin Materials Stock Fund. However, transfers out of these funds into the other available investment options will be permitted. In addition, any applicable dividends from these funds will be directed to the Retirement Money Market Portfolio.

In order to effect this transfer, there will be two (2)

periods of time when savings plan activity will be suspended. For the first suspension period, which will be for five (5) business days coinciding with the Closing Date, no new investment elections or deferral changes will be permitted. The second suspension of activity is scheduled to begin sometime in late May and will last until late June. During this second suspension period, all new loan applications, withdrawals, distributions and investment fund transfers associated with the Lockheed Martin Savings Plan will be halted. However, loan repayments will not be suspended. More information regarding this suspension will be sent to you prior to the first day of the second suspension period.

Until the account balances and loan records can be transferred to the L-3 Communications Master Savings Plan, all loan repayments will continue to be directed to the Lockheed Martin Savings Plan and your account will be credited accordingly.

More information will be distributed in a Savings Plan summary plan description which is being prepared, and which will soon be issued to eligible employees and participants.

Conclusion

In summary, substantially the same benefit plans and programs will remain in place after the Closing Date. Nevertheless, just as Lockheed Martin currently reserves the right to modify, reduce, suspend, or terminate their benefit plans and programs, so L-3 Communications retains and reserves that same right. Please be assured that any such change will be made only after careful analysis and review. We will give you advance notice of any changes to the benefit plans and programs.

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If you have any questions, please contact your local
Benefits Representative.