



ADDENDUM PEOPLE'S REPUBLIC OF CHINA

The L-3 Code of Ethics and Business Conduct (Code), as well as this addendum, is provided as guidance in conducting your L-3 responsibilities. These documents are not intended to be all inclusive. You should seek guidance from the Legal Department as conflicts arise.

The Code applies to everyone who does business on behalf of L-3 - employees, officers and members of our Board of Directors. It also may apply to agents, consultants, contract labor and others who act on L-3's behalf. Above all, every L-3 employee must conduct himself or herself in an ethical manner.

Specifically, everyone who represents L-3 will ensure that:

- ✓ Ethical behavior is the foundation by which we conduct our business
- ✓ We do not take advantage, or abuse our position for personal gain or otherwise knowingly violate the law
- ✓ Our actions do not create, directly or indirectly, a conflict of interest
- ✓ We seek guidance when necessary

Requirements

If you are a U.S. citizen working outside of the United States, you are required to abide by United States laws, as well as the laws and regulations of the country in which you are employed. All other individuals may or may not be subject to both U.S. and foreign laws, depending on the circumstances. In situations where you are uncertain about whether a particular law applies, consult with your Manager or the Legal Department immediately.

There are some laws particularly applicable to, and things to remember about, doing business in the People's Republic of China (PRC). This addendum describes specific areas of PRC law that complement the existing requirements of the Code and is meant to be read in conjunction with the Code.

Gifts and Entertainment with Non-Government Persons

Business relationships considered "private" in most countries are often considered "government relationships" in China. This is because the PRC government occupies an important role in many sectors of the economy, which largely remains in the hands of State-owned enterprises ("SOEs"). US enforcement agencies consider officers and directors of SOEs to be "foreign government officials" for the purpose of the Foreign Corrupt Practices Act ("Act"). Therefore, when you deal with officers and directors of SOEs, you must consider them as "foreign government officials".

Doing business in China may sometimes involve entertaining and offering courtesy gifts. Nevertheless, please remember that L-3 must comply with standards higher than local PRC practice. What our competitors are doing is not an acceptable guide for what you can do. Using



an agent for providing gifts or entertainments to non-government persons must be avoided as L-3 may be held liable for the agent's unlawful acts.

If you ever have any questions concerning gifts or entertainment, please consult your local Ethics Officer.

Gifts and Entertainment with Employees and Officials of the Chinese Government

PRC law prohibits giving anything of value, directly or indirectly, to officials of the PRC government (including members of the People's Liberation Army and officers and directors of SOEs) in order to obtain or retain business or seek a concession or benefit. Using an agent for providing gifts or entertainments to Employees and Officials of the Chinese Government (including officers and directors of SOEs) must be avoided as L-3 may be held liable for the agent's unlawful acts.

The authorities may impose fines and confiscate illegal income. In severe cases, illegal gift giving and entertainment are punishable under PRC criminal law.

If you have any questions concerning gifts or entertainment, please consult your local Ethics Officer.

Avoiding Kickbacks

Under PRC anti-unfair competition law, a kickback (or illegal rebate) is a portion of the sale price which the vendor repays to the buyer through a separate payment or by other means at the time of the sales transaction, and which is not shown in any receipt or in the books of the vendor.

In certain PRC industry sectors, kickbacks are a common means of conducting business. However, PRC anti-unfair competition law strictly prohibits giving or receiving a secret commission or discount without maintaining a normal and accurate accounting record. It is important that any legitimate commercial discounts be properly documented and accounted. Otherwise, the authorities may impose fines and confiscate illegal income. If it is unclear to you whether a proposed transaction includes a kickback, please raise the question with your local Ethics Officer.

Please remember that L-3 must comply with standards higher than local PRC practice. What our competitors are doing is not an acceptable guide for what you can do. You must ask yourself how a third person in the U.S., who is unfamiliar with China market norms, will objectively view the transaction. If you believe an agent, customer or supplier of L-3 paid a kickback, you must provide the details to your local Ethics Officer.

Avoiding Bribery and Improper Payments

Under PRC law, it is a crime for a company or individual to give any person employed by the government or a private enterprise (or for such a person to receive) money or property for the purpose of securing illegitimate benefits.

You should be aware that PRC criminal and administrative laws provide very harsh sanctions for bribery of government officials (including officers and directors of SOEs) and employees of private companies. These penalties can take the form of prison terms and capital punishment in severe cases.



If you believe an agent, customer or supplier of L-3 bribed a government official (including members of the People's Liberation Army and officers and directors of SOEs) or an employee of a private commercial entity, you must provide details to your local Ethics Officer.

In China, there are many occasions when "facilitating payments" may be requested by mid or low-level government officials to expedite or secure performance of a routine government action. If you feel you have exhausted every avenue to avoid making such payments, contact the General Counsel to discuss the situation further.

Avoiding Bribery and Improper Payments: Retaining Agents

You must be careful when considering retaining agents to represent our interests in the PRC. There are corporate procedures that must be followed, including performing due diligence on the potential agent or distributor.

You are of course not permitted to use agents to avoid the obligations set out in the Code or this Addendum. You should ensure that agents comply with obligations set forth in the Code and this Addendum. When retaining an agent, make sure to include standard contract terms to ensure that the agent will not cause L-3 to violate the law. For instance, you are responsible of ensuring that L-3's PRC agents do not pass on part of their remuneration to government officials in exchange for business. Using an agent for providing gifts or entertainments to officials must be avoided as L-3 may be held liable for the agent's unlawful acts.

State Secrets

In our industry, you are likely to receive information that may be considered a state secret under the PRC Protection of State Secrets Law. Under this law, the definition of state secret is extremely broad, and includes "any information that could cause harm to the security and political or economic interests of China if disclosed to an overseas organization" as well as "any information hindering important security or defense work of China".

PRC State Security Law and the PRC Criminal Law stipulate specific administrative and criminal sanctions for violations of state secrets or state security provisions.

Even if potentially sensitive information is not a state secret, you should take extreme caution when receiving it and before disclosing it to any entity in or outside China. Under PRC criminal law, the "illegal disclosure of intelligence to overseas organizations" is also punishable.

Before sharing any information obtained from or relating to PRC government entities (including SOEs), please seek guidance from the General Counsel. If it is unclear to you whether certain information is a state secret, please raise the question with the General Counsel.

Disclosure of information to authorities

We should provide truthful and reliable information required by the regulatory authorities. For any omission or error, we should communicate with the regulatory authorities promptly and rectify such omission or error in accordance with the relevant procedures.



On-site Inspections

PRC law allows certain government departments (such as the Commission of Science, Technology and Industry for National Defense and the Ministry of National Defense) or their agents to conduct on-site inspections for the purpose of assessing the compliance of certain military products with quality standards set forth in PRC regulations. You should be aware of your obligation to provide the necessary assistance and cooperation during authorities' (or their agents) on-site inspection. You should inform the General Counsel and your local Ethics Officer of such on-site inspections in a prompt and diligent manner.

Protecting Privacy

We are committed to protecting the privacy of all of our employees. However, L-3 will pass on any employee information to PRC authorities as may be required to comply with PRC law.

Trading in L-3 Shares

If you wish to purchase or sell L-3 shares, we urge you to trade at times when important information about L-3's business has been disclosed to the investing public. You must comply with all PRC foreign exchange and other laws before purchasing L-3 shares. In particular, you may need to seek approval from the State Administration for Foreign Exchange (SAFE) before acquiring such shares and you must comply with SAFE (or other authorities') requirements regarding repatriation of profits and reporting of profits.

Mandatory Obligation to Disclose Certain Misconduct

The Federal Acquisition Regulation (FAR) requires the mandatory disclosure of credible evidence of federal criminal law violations involving fraud, conflict of interest, bribery, or gratuity violations, as well as claims under the Civil False Claims Act, and significant overpayments. This mandatory disclosure obligation continues up through three (3) years after contract close-out. In order to comply with these obligations, all L-3 employees must immediately report any issues that could potentially constitute a violation of criminal or civil law, or significant overpayment on a Government contract or subcontract, to your responsible Ethics Officer or the Corporate Ethics Officer. You may also report these matters through the Ethics Helpline. Reporting of these matters is mandatory, although you may use the Ethics Helpline if you prefer to remain anonymous.