

L-1 IDENTITY SOLUTIONS, INC.
Form DEF 14A
March 20, 2008

SCHEDULE 14A

(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Under Rule 14a-12

L-1 IDENTITY SOLUTIONS, INC.

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee

required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each

class of securities to which transaction applies:

number of securities to which transaction applies: (2) Aggregate

other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): (3) Per unit price or

maximum aggregate value of transaction: (4) Proposed

previously with preliminary materials: (5) Total fee paid:
Fee paid

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Schedule or Registration Statement No.: (1) Amount Previously Paid:
(2) Form,

(3) Filing Party:
(4) Date Filed:

177 Broad Street
Stamford, CT 06901

March 20, 2008

To our stockholders:

It is my sincere pleasure to invite you to L-1 Identity Solutions, Inc.'s 2008 annual meeting of stockholders. This year's meeting will be held on May 7, 2008 at 2:30 p.m. local time at the Hyatt Regency Greenwich, 1800 East Putnam Avenue, Old Greenwich, CT 06870. At this important meeting, we will focus on the business items listed in the notice of meeting, which follows on the next page.

This year, we are pleased to take advantage of the new Securities and Exchange Commission rule allowing companies to furnish proxy materials to their stockholders over the Internet. We believe that this new e-proxy process will expedite stockholders' receipt of proxy materials and lower the costs and reduce the environmental impact of our annual meeting. On or before March 28, 2008, we will mail a notice containing instructions on how to access our 2008 proxy statement and annual report and vote online (the "E-Proxy Notice"). The E-Proxy Notice will be distributed to those who hold fewer than 4,000 shares of our common stock through an account at a bank, broker, fiduciary or custodian (unless such holders have previously requested to receive our proxy materials by mail). For all other stockholders, we will send a copy of the proxy statement and annual report by mail by March 28, 2008. The proxy statement contains instructions on how you can (i) receive a paper copy of the proxy statement and annual report, if you only received a notice by mail, or (ii) elect to receive your proxy statement and annual report over the Internet, if you received them by mail this year.

Whether or not you plan to attend the meeting, your vote is important and we encourage you to vote promptly. You may vote your shares via a toll-free telephone number or over the Internet. If you received a paper copy of the proxy card by mail, you may sign, date and mail the proxy card in the envelope provided. Instructions regarding all three methods of voting are contained on the proxy card.

We look forward to seeing you at the annual meeting.

Sincerely,
ROBERT V. LAPENTA

Chairman of the Board,
President and Chief Executive Officer

177 Broad Street
Stamford, CT 06901

PROXY STATEMENT

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held May 7, 2008

The 2008 annual meeting of stockholders of L-1 Identity Solutions, Inc. will be held on May 7, 2008 at 2:30 p.m. local time at the Hyatt Regency Greenwich, 1800 East Putnam Avenue, Old Greenwich, CT 06870, for the following purposes:

1. To elect four Class III Directors;
2. To approve the L-1 Identity Solutions, Inc. 2008 Long-Term Incentive Plan;
3. To ratify the selection of Deloitte & Touche LLP as our independent registered public accounting firm to audit the consolidated financial statements of L-1 and its subsidiaries for the year ended December 31, 2008; and
4. To consider any other matters that may properly come before the meeting or any adjournments or postponements of the meeting.

Holders of record of our common stock at the close of business on March 17, 2008 are entitled to notice of, and to vote at, the annual meeting.

Whether or not you plan to attend the meeting, we urge you to vote your shares via the toll-free telephone number or over the Internet, as described in the enclosed materials. If you received a copy of the proxy card by mail, you may sign, date and mail the proxy card in the envelope provided.

By Order of the Board of Directors,

Mark S. Molina
Executive Vice President,
Chief Legal Officer and Secretary
March 20, 2008

THE ANNUAL MEETING

Date, Time and Place

The annual meeting of L-1 Identity Solutions, Inc. (the “Company”) will be held on May 7, 2008 at 2:30 p.m. local time at the Hyatt Regency Greenwich, 1800 East Putnam Avenue, Old Greenwich, CT 06870.

Matters to be Considered

At the meeting, stockholders will be asked to consider and vote to elect four Class III Directors, to approve the L-1 Identity Solutions, Inc. 2008 Long-Term Incentive Plan and to ratify the selection of the independent registered public accounting firm. See “ELECTION OF DIRECTORS”, “THE L-1 IDENTITY SOLUTIONS, INC. 2008 LONG-TERM INCENTIVE PLAN” and “RATIFICATION OF SELECTION OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM”. The Company’s board of directors (the “Board of Directors”) does not know of any matters to be brought before the meeting other than as set forth in the notice of meeting. If any other matters properly come before the meeting, the persons named in the enclosed form of proxy or their substitutes will vote in accordance with their best judgment on such matters.

Record Date; Stock Outstanding and Entitled to Vote

Stockholders as of the record date, i.e., the close of business on March 17, 2008, are entitled to notice of, and to vote at, the annual meeting. As of the record date, there were 77,837,351 shares of common stock outstanding and entitled to vote, with each share entitled to one vote.

Information About This Proxy Statement

Why you received this proxy statement. You have received these proxy materials because our Board of Directors is soliciting your proxy to vote your shares at the annual meeting. This proxy statement includes information that we are required to provide to you under the rules of the U.S. Securities and Exchange Commission (the “SEC”) and that is designed to assist you in voting your shares. If you own our common stock in more than one account, such as individually and also jointly with your spouse, you may receive more than one notice or set of these proxy materials. To assist us in saving money and to serve you more efficiently, we encourage you to have all your accounts registered in the same name and address by contacting our transfer agent:

Computershare Inc.
250 Royall Street
Canton, MA 02021
Attention: Investor Relations
Telephone: (877) 282-1168

Notice of Internet Availability of Proxy Materials. In accordance with rules and regulations recently adopted by the SEC, we may now furnish proxy materials to some or all of our stockholders on the Internet. On or before March 28, 2008, we will mail a notice containing instructions on how to access our 2008 proxy statement and annual report and vote online (the “E-Proxy Notice”). The E-Proxy Notice will be distributed to those who hold fewer than 4,000 shares of our common stock through an account at a bank, broker, fiduciary or custodian (unless such holders have previously requested to receive our proxy materials by mail). For all other stockholders, we will send a copy of the proxy statement and annual report by mail by March 28, 2008.

If you received the E-Proxy Notice by mail, you will not automatically receive a printed copy of the proxy materials. Instead, the E-Proxy Notice instructs you as to how you may access and review all of the important information contained in the proxy materials. If you have previously signed up on the Internet to receive proxy materials and other stockholder communications on the Internet instead of by mail, you will be receiving the proxy materials electronically. The E-Proxy Notice also instructs

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you as to how you may submit your proxy on the Internet. If you received the E-Proxy Notice by mail and would like to receive a printed copy of our proxy materials, you should follow the instructions for requesting such materials included in the E-Proxy Notice.

Stockholders may also sign up to receive future proxy materials, including E-Proxy Notices, and other stockholder communications electronically instead of by mail. This will reduce our printing and postage costs, eliminate bulky paper documents from your personal files, and mitigate the environmental impact of our annual meeting. In order to receive the communications electronically, you must have an e-mail account, access to the Internet through an Internet service provider and a web browser that supports secure connections. For additional information regarding electronic delivery enrollment visit www.investorvote.com (for holders of record) or www.proxyvote.com (for holders through intermediaries) or contact our transfer agent or your broker.

Householding. The SEC's rules permit us to deliver a single E-Proxy Notice or a set of annual meeting materials to one address shared by two or more of our stockholders. This delivery method is referred to as "householding" and can result in significant cost savings. To take advantage of this opportunity, we have delivered only one proxy statement and annual report to multiple stockholders who share an address, unless we received contrary instructions from the impacted stockholders prior to the mailing date. We agree to deliver promptly, upon written or oral request, a separate copy of the Notice or Annual Meeting materials, as requested, to any stockholder at the shared address to which a single copy of those documents was delivered. If you prefer to receive separate copies of the proxy statement or annual report, contact Broadridge Financial Solutions, Inc. at +1.800.542.1061 or in writing at Broadridge, Householding Department, 51 Mercedes Way, Edgewood, New York 11717.

If you are currently a stockholder sharing an address with another stockholder and wish to receive only one copy of future E-Proxy Notices, proxy statements and annual reports for your household, please contact Broadridge at the above phone number or address.

Voting by and Revocation of Proxies

Stockholders of record are requested to vote by proxy in one of three ways:

- By telephone — Use the toll-free telephone number shown on your proxy card;
- By Internet — Visit the Internet website indicated on your proxy card and follow the on-screen instructions; or
- By Mail — if you received your proxy materials by mail, you can date, sign and promptly return your proxy card by mail in the enclosed postage prepaid envelope.

Voting instructions (including instructions for both telephonic and Internet proxies) are provided on the proxy card. The Internet and telephone proxy procedures are designed to authenticate stockholder identities, to allow stockholders to give voting instructions and to confirm that stockholders' instructions have been recorded properly. A control number, located on the proxy card, will identify stockholders and allow them to submit their proxies and confirm that their voting instructions have been properly recorded. Costs associated with electronic access, such as usage charges from Internet access providers and telephone companies, must be borne by the stockholder. If you submit your proxy by Internet or telephone, it will not be necessary to return your proxy card.

If a stockholder does not return a signed proxy card or submit a proxy by the Internet or by telephone, and does not attend the meeting and vote in person, his or her shares will not be voted. Shares of our common stock represented by

properly executed proxies received by us or proxies submitted by telephone or via the Internet, which are not revoked will be voted at the meeting in accordance with the instructions contained therein. If instructions are not given, proxies will be voted for election of each nominee for director named herein, for approval of the L-1 Identity Solutions, Inc. 2008 Long-Term Incentive Plan and for ratification of the selection of Deloitte & Touche LLP as our independent registered public accounting firm.

Any proxy signed and returned by a stockholder or submitted by telephone or via the Internet may be revoked at any time before it is exercised by giving written notice of revocation to the

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Company's Secretary at our address set forth herein, by executing and delivering a later-dated proxy (either in writing, by telephone or via the Internet) or by voting in person at the meeting. Attendance at the meeting will not, in and of itself, constitute revocation of a proxy.

If your shares are held in the name of a bank, broker, fiduciary or custodian, follow the voting instructions on the form you receive from your record holder. The availability of Internet and telephone proxies will depend on their voting procedures.

Required Votes

Election of Directors. Under Delaware law, the affirmative vote of the holders of a plurality of shares of common stock voting on this matter at the annual meeting (i.e. the largest number of votes cast) is required to elect each director. Consequently, only shares that are voted in favor of a particular nominee will be counted toward such nominee's achievement of a plurality.

Approval of the L-1 Identity Solutions, Inc. 2008 Long-Term Incentive Plan. The affirmative vote of the holders of a majority of the shares of common stock voting on this matter at the annual meeting is required to approve the L-1 Identity Solutions, Inc. 2008 Long-Term Incentive Plan.

Ratification of the selection of Deloitte & Touche LLP as our independent registered public accounting firm. The affirmative vote of the holders of a majority of the shares of common stock voting on this matter at the annual meeting is required to ratify the selection of Deloitte & Touche LLP as our independent registered public accounting firm.

Effect of abstentions and broker non-votes. For purposes of the election of directors, approval of the L-1 Identity Solutions, Inc. 2008 Long-Term Incentive Plan and ratification of the selection of Deloitte & Touche LLP as our independent registered public accounting firm, abstentions and broker non-votes will each be included in the determination of the number of shares present for purposes of constituting a quorum, but will not be counted as votes cast.

Other Matters. If any other matters are properly presented at the annual meeting for action, including a question of adjourning or postponing the meeting from time to time, the persons named in the proxies and acting thereunder will have discretion to vote on such matters in accordance with their best judgment.

Shares Held by Brokers

If you are the beneficial owner of shares held for you by a broker, your broker must vote those shares in accordance with your instructions. If you do not give voting instructions to your broker, your broker may vote your shares for you on any discretionary items of business to be voted upon at the annual meeting, such as the election of directors and the ratification of the appointment of Deloitte & Touche LLP. The approval of the L-1 Identity Solutions, Inc. 2008 Long-Term Incentive Plan, however, is considered a non-discretionary item and therefore, your broker may not vote your shares without instructions from you. If you do not provide voting instructions on a non-discretionary item, the shares will be treated as "broker non-votes." "Broker non-votes" will be included in determining the presence of a quorum at the annual meeting but are not counted as votes cast.

Proxy Solicitation

We will bear the costs of solicitation of proxies for the annual meeting, including preparation, assembly, printing and mailing of this proxy statement, the annual report, the E-Proxy Notice, the proxy card and any additional information

furnished to stockholders. Copies of our E-Proxy Notice will be furnished to banks, brokerage houses, fiduciaries and custodians holding shares of common stock beneficially owned by others to forward to such beneficial owners. We may reimburse persons representing beneficial owners of common stock for their costs of forwarding solicitation material to such beneficial owners. We will bear the cost of maintaining a website compliant with regulations promulgated by the SEC to provide internet availability of this proxy statement, our annual report and proxy card. We have retained Broadridge Investor Communication Solutions, Inc. to provide such

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a web hosting facility at an annual cost of \$2,500. In addition, we retained The Altman Group, Inc. to act as proxy solicitor in conjunction with the meeting. The Company has agreed to pay that firm a base fee of \$7,500, plus customary call-based fees and reasonable out of pocket expenses, for proxy solicitation services. Solicitation of proxies by mail may be supplemented by telephone, telegram or personal solicitation by directors, officers, or other regular employees of the Company. No additional compensation will be paid to directors, officers or other regular employees for such services.

Independent Registered Public Accounting Firm

We have been advised that a representative of Deloitte & Touche LLP, our independent registered public accounting firm for the year ended December 31, 2007, will attend the annual meeting, will have an opportunity to make a statement if such representative desires to do so, and will be available to respond to appropriate questions.

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PROPOSAL NO. 1 ELECTION OF DIRECTORS

The Company has a classified board of directors, divided into three classes, and the term of the current Class III Directors will expire on the date of the annual meeting. The nominees for the Board of Directors, each of whom is currently serving as a Class III Director, are described below. The Nominating and Corporate Governance Committee of the Board of Directors has nominated each of the candidates for election. If elected, each of the nominees is expected to serve for a three-year term expiring at the annual meeting of stockholders of the Company in 2011 and until successors have been elected and qualified. The Board of Directors expects that each of the nominees will be available for election as a director. However, if by reason of an unexpected occurrence, one or more of the nominees is not available for election, the persons named in the form of proxy have advised that they will vote for such substitute nominees as the Nominating and Corporate Governance Committee may propose.

Nominees for Election

present position,	Name and
<p>if any, with the Company Age, period served as a director, other business experience Class III Directors</p> <p>Milton E. Cooper 69, has served as a director of the Company since August 2006 and previously served on the board of directors of Identix Incorporated (“Identix”) from 2001 through August 2006. Mr. Cooper is a past Chairperson for the Secretary of the Army’s National Science Center Advisory Board. From 1992 until his retirement in June 2001, Mr. Cooper served as President, Federal Sector for Computer Sciences Corporation (“CSC”), one of the largest systems integrators for federal government agencies and a leading supplier of custom software for aerospace and defense applications. Mr. Cooper joined Systems Group, the predecessor organization to CSC’s Federal Sector, in 1984, as Vice President, Program Development. Prior to joining CSC, Mr. Cooper served in various marketing and general management positions at IBM Corporation, Telex Corporation and Raytheon Company. Malcolm J. Gudis 66, has served as a director of the Company since August 2006 and formerly served on the board of directors of Identix from 2001 through August 2006. In 1993, he retired as a Senior Vice President of Electronic Data Systems Corporation (“EDS”), where he had worked for 22 years. For six of those years, he served as a member of EDS’ Board of Directors, and for eight of those years, he served on EDS’ eight-person Leadership Council. Mr. Gudis also had direct responsibility for all of EDS’ international, commercial business interests outside of North America, including operations in over 30 countries as well as worldwide responsibility for the market segments comprising the Communications, Transportation and Energy and Petrochemical industries. In 1998, Mr. Gudis was awarded the first International Alumni Award by The Max M. Fisher School of Business at Ohio State University. He currently serves on The Dean’s Advisory Council at The Fisher School of Business at Ohio State University, The board of trustees of The Episcopal School of Dallas where he serves as Chancellor, and numerous charitable and business organizations’ advisory boards.</p>	<p>Milton E. Cooper</p> <p>Malcolm J. Gudis</p>

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present position,	Name and
<p>if any, with the Company Age, period served as a director, other business experience</p> <p>John E. Lawler 58, has served as a director of the Company since August 2006 and formerly served on the board of directors of Identix from June 2002 through August 2006. Mr. Lawler also served as a director of Visionics Corporation from December 1999 through June 2002. Mr. Lawler has been President of East/West Financial Services, Inc., a diversified financial management and business consulting firm, since November 1987. He is also a co-founder and current Chief Executive Officer of Sterling Wealth Management, Inc., a registered investment advisor, and has served on its board of directors since October 1999, currently serving as Chairman. From March 1982 to March 1988, Mr. Lawler served in various executive positions in Washington D.C. public relations firms, including Gray and Company, an advertising, public relations and lobbying firm, for which he served as Chief Financial Officer. From January 1975 to March 1982, Mr. Lawler served as Chief of the Office of Finance of the U.S. House of Representatives in Washington, D.C. Mr. Lawler also serves on the board of directors of NCI, Inc., a NASDAQ listed government integrator company and on the Board of Trustees of two non-profit faith based endowment funds in Washington, D.C.</p> <p>B. Boykin Rose 58, has served as a director of the Company since August 2006. Mr. Rose currently serves on the South Carolina Education Lottery Commission, to which he was appointed by Senator Glenn McConnell, President Pro Tempore of the Senate and Chairman of the Senate Judiciary Committee. He is an officer of Fear No Wind, LLC, a company he co-founded in 2004 and serves as Vice President of the Huguenot Society of South Carolina Board of Directors. Mr. Rose served as the Director of the South Carolina Department of Public Safety for nine years. During his tenure as Director, Mr. Rose's responsibilities included establishment and administration of the Department's internal operation, policies and procedures and assumed direction of a number of departmental entities including the State Highway Patrol; the State Transport Police Division including the Size and Weight Enforcement Division; the Criminal Justice Academy and Training Division; the Highway Safety Office; the Division of Motor Vehicles which includes the Driver Licensing Division; Vehicle Registration; Vehicle Titling; Licensing and Vehicle Enforcement; the Bureau of Protective Services; and the Office of Justice Programs.</p> <p>The Board of Directors recommends a vote FOR the above-named nominees.</p>	

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Other Members of the Board of Directors

Including the nominees, the Board of Directors currently consists of 12 directors, each of whom, other than the nominees, is described below. The term of the Class I Directors shall expire at the 2009 Annual Meeting of Stockholders, subject to the election and qualification of their respective successors. The term of the Class II Directors shall expire at the 2010 Annual Meeting of Stockholders, subject to the election and qualification of their respective successors.

present position, if any, with the Company	Age, period served as a director, other business experience	Name and
	Class I Directors	B.G. Beck
	71, has served as a director of the Company since February 2004. Mr. Beck was the Founder, President and Chief Executive Officer of Trans Digital Technologies Corporation from 1998 until its acquisition by the Company in February 2004. Mr. Beck currently serves as a member of the board of directors of Cardinal Financial Corporation, a provider of comprehensive individual and corporate banking services.	Denis K. Berube
	65, has served as a director of the Company since its incorporation in 1996. Mr. Berube is Executive Vice President and Chief Operating Officer of Lau Technologies. Mr. Berube has been employed at Lau since 1990.	George J. Tenet
	55, has served as a director of the Company since December 2005. Mr. Tenet is currently a Managing Director at Allen & Company and serves as the Chairman of the CIA Memorial Foundation. He has been a Distinguished Professor in the Practice of Diplomacy, at the Georgetown University School of Foreign Service from October 2004 until November 2007. From July 1997 to July 2004, Mr. Tenet was the Director of Central Intelligence. Mr. Tenet served as the Deputy Director of Central Intelligence from July 1995 until July 1997. From 1993-1995, he served as Special Assistant to the President and Senior Director for Intelligence Programs on the National Security Council. Prior to that, he served as a Professional Staff Member and Staff Director of the Senate Select Committee on Intelligence from 1985-1992. From 1982-1985, Mr. Tenet was legislative assistant and legislative director for Senator John Heinz. Mr. Tenet currently serves on the board of directors of Granahan McCourt Acquisition Corporation, and on the board of advisors of Qinetiq North America.	

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present position, if any, with the Company	Age, period served as a director, other business experience	Name and
LaPenta Chairman, President and Chief Executive Officer	62, has served as the Chairman of the Board of Directors of the Company since December 2005 and as President and Chief Executive Officer of the Company since August 2006. Mr. LaPenta is the founder and Chief Executive Officer of L-1 Investment Partners, LLC, a private investment management firm. From April 1997 to April 2005, Mr. LaPenta served as President, Chief Financial Officer and a director of L-3 Communications Holdings, Inc., which he co-founded in April 1997. From April 1996, when Loral Corporation was acquired by Lockheed Martin Corporation, until April 1997, Mr. LaPenta was a Vice President of Lockheed Martin and was Vice President and Chief Financial Officer of Lockheed Martin's Command, Control, Communications and Intelligence and Systems Integration Sector. Prior to the April 1996 acquisition of Loral, he was Loral's Senior Vice President and Controller, a position he held since 1991. He joined Loral in 1972 and was named Vice President and Controller of its largest division in 1974. He became Corporate Controller in 1978 and was named Vice President in 1979. Mr. LaPenta is on the board of trustees of Iona College, the board of directors of Core Software Technologies and the board of directors of Leap Wireless International, Inc.	Robert V.
	Robert S. Gelbard 64, has served as a director of the Company since September 2005. Ambassador Gelbard has been Chairman of Washington Global Partners, LLC, an international business consulting firm, since April 2005. Prior to that, he was a self-employed international business consultant beginning in October 2002. From March 2002 to September 2002, he was Senior Vice President of International Affairs and Government Relations for ICN Pharmaceuticals, Inc., a global pharmaceuticals company. From February 1967 to January 2002, Ambassador Gelbard held various senior level positions in the U.S. Department of State, including serving as Ambassador to Indonesia from 1999-2001, President Clinton's Special Representative for the Balkans from 1997-1999, Assistant Secretary of State from 1993-1997, and Ambassador to Bolivia from 1988-1991. In 1989 Ambassador Gelbard received the Presidential Meritorious Award, and in 2002 he received the State Department Distinguished Service Award, its highest decoration.	

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present position, if any, with the Company	Name and
Age, period served as a director, other business experience	James M. Loy 65, has served as a director of the Company since July 2006. Mr. Loy has been Senior Counselor at The Cohen Group since 2005. From 2003 to 2005, Mr. Loy served as Deputy Secretary of Homeland Security. From 2002 to 2003, he was Administrator, Transportation Security Administration. He served as Commandant of the U.S. Coast Guard from 1998 to 2002 and was Coast Guard Chief of Staff from 1996 to 1998. From 1994 to 1996, Mr. Loy was Commander of the Coast Guard's Atlantic Area. Mr. Loy also serves on the board of directors of Lockheed Martin Corporation. Harriet Mouchly-Weiss 65, has served as a director of the Company since its incorporation in 1996. Ms. Mouchly-Weiss founded Strategy XXI Group, an international communications and consulting firm, in January 1993 and has served as its managing partner since that time. Peter Nessen 72, has served as a director of the Company since its incorporation in 1996. Since July 2003, Mr. Nessen has served as the President of Nessen Associates Ltd., a non-profit consulting company. From January 2003 to July 2003, Mr. Nessen served as an adviser to the Governor of the Commonwealth of Massachusetts on education matters. Mr. Nessen has been chairman of the board of directors of NCN Financial, a private banking firm, since January 1995. From June 1993 through December 1994, Mr. Nessen was Dean for Resources and Special Projects at Harvard Medical School. From January 1989 to February 1993, Mr. Nessen was Secretary of Administration and Finance for the Commonwealth of Massachusetts.

CORPORATE GOVERNANCE

Board Independence Standards for Directors

Pursuant to our Corporate Governance Policy, a copy of which is available on our website at www.L1id.com, the Board of Directors is required to affirmatively determine that a majority of our directors are independent under the listing standards of the New York Stock Exchange ("NYSE"), the principal exchange on which our common stock is traded.

During its annual review of director independence, the Board of Directors considers all information it deems relevant, including without limitation, any transactions and relationships between each director or any member of his immediate family and the Company and its subsidiaries and affiliates. The Board of Directors also considers the recommendations of the Nominating and Corporate Governance Committee, which conducts a separate independence assessment of all directors as part of its nomination process for the Board of Directors and its respective committees. The purpose of this review is to determine whether any such relationship or transaction is considered a "material relationship" that would be inconsistent with a determination that a director is independent. The Board of Directors has not adopted any "categorical standards" for assessing independence, preferring instead to consider all relevant facts and circumstances in making an independence determination including, without limitation, applicable independence standards promulgated by the NYSE.

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As a result of this review, the Board of Directors affirmatively determined that, other than Robert V. LaPenta, B.G. Beck and Denis K. Berube, all of our directors are independent under the listing standards of the NYSE.

Based on the recommendations of the Nominating and Corporate Governance Committee, the Board of Directors concluded that a certain contractual arrangement between Strategy XXI Group and the Company (the “Agreement”) signed by the Company in October 2006 and terminated by the Company in January 2007 does not constitute a “material relationship” and therefore does not affect the independence determination for Ms. Mouchly-Weiss. Ms. Mouchly-Weiss is a Managing Partner at Strategy XXI Group. Pursuant to the Agreement, Strategy XXI Group provided marketing consulting services to the Company in China in exchange for compensatory fees and the reimbursement of Strategy XXI Group’s reasonable expenses. The Company paid Strategy XXI Group a total of \$26,053.73 in 2006, and \$19,090.72 in 2007. After a review and analysis of the Agreement and a discussion of the related facts and circumstances, the Nominating and Corporate Governance Committee concluded that, given the immaterial nature of the Agreement, the immaterial dollar value of the Agreement, and the immaterial nature of the relationship between the Company and Strategy XXI Group, and furthermore, given the fact that Ms. Mouchly-Weiss did not directly participate in providing consulting services to the Company while the Agreement was in effect, neither the Agreement nor Strategy XXI Group’s relationship with the Company constituted a “material relationship”, and, therefore, neither the Agreement nor Strategy XXI Group’s relationship with the Company affected the independence determination for Ms. Mouchly-Weiss.

Board Committees

Our Board of Directors has three standing committees: an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. Our Board of Directors has adopted charters for each of its standing committees. Copies of our committee charters are available without charge upon request directed to Investor Relations, 177 Broad Street, Stamford, CT 06901, and are posted on our website at www.L1id.com.

Audit Committee

Members of the Audit Committee are Mr. Peter Nessen (Chairman), Mr. John E. Lawler (Vice Chairman), Mr. Malcolm J. Gudis, and Mr. James M. Loy.

The Board of Directors has determined that each member of the Audit Committee is independent pursuant to the listing standards of the NYSE and the applicable rules of the SEC, that each member of the Audit Committee is financially literate pursuant to the listing standards of the NYSE and that each of Mr. Peter Nessen and Mr. John E. Lawler meets the additional criteria imposed by the SEC to qualify as an audit committee financial expert.

The Audit Committee, among other things, assists the Board of Directors in fulfilling its responsibility relating to (a) the integrity of our financial statements, (b) our systems of internal controls and disclosure controls and procedures, (c) our compliance with applicable law and ethics programs and (d) the annual independent audit of our financial statements. In discharging its duties, the Audit Committee has the sole authority to select, retain, oversee and terminate, if necessary, the independent registered public accounting firm, review and approve the scope of the annual audit, review and pre-approve the engagement of our independent registered public accounting firm to perform audit and non-audit services, meet independently with our independent registered public accounting firm and senior management, review the integrity of our financial reporting process and review our financial statements and disclosures and certain SEC filings.

The Audit Committee met eight times in 2007. The Audit Committee regularly holds meetings at which it meets with our independent registered public accounting firm without management present.

Compensation Committee

The members of the Compensation Committee are Mr. Milton Cooper (Chairman), Mr. Robert S. Gelbard, Mr. Malcolm J. Gudis, Mr. James M. Loy, Ms. Harriet Mouchly-Weiss, Mr. B. Boykin Rose and Mr. George J. Tenet.

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The Board of Directors has determined that each member of the Compensation Committee is independent pursuant to the listing standards of the NYSE and qualifies as an “outside director” pursuant to Section 162(m) of the Internal Revenue Code of 1986, as amended. Mr. Cooper has served as Chairman of the Compensation Committee from August 29, 2006 to date, and is expected to continue to serve in that capacity until the conclusion of the annual meeting, at which point Mr. James M. Loy will assume the role of Chairman of the Compensation Committee.

The Compensation Committee plays an integral role in the Company’s processes and procedures for the consideration and determination of executive and director compensation. The Compensation Committee recommends to the Board of Directors the compensation policies and individual compensation decisions for our executive officers and directors, and ensures that these policies and decisions are consistent with overall corporate performance. The Compensation Committee has the authority to approve all stock option grants and other equity awards to our employees, except for grants and awards for directors and executive officers, for which a recommendation is made to the Board of Directors. The Compensation Committee also reviews and recommends to the Board of Directors the target annual incentive pool, the annual performance objectives for participants, and actual payouts to participants, including the executive officers.

The Board of Directors has sole decision-making authority with respect to all compensation decisions for our executive officers and directors, including annual incentive plan awards and grants of equity awards. The Board of Directors is responsible for finalizing and approving the performance objectives relevant to the compensation of our Chairman, President and CEO and considers the recommendations of the Compensation Committee in that regard. The Nominating and Corporate Governance Committee is responsible for leading the Board of Directors in evaluating the performance of our Chairman, President and CEO in light of those objectives.

The Compensation Committee’s recommendations are developed with input from our Chairman, President and CEO and, where appropriate, other senior executives. The Compensation Committee reviews management recommendations and input from compensation consultants, along with multiple other sources of data when formulating its independent recommendations to the Board of Directors. A discussion and analysis of the Company’s compensation policies and decisions regarding the executive officers named in the Summary Compensation Table appears in this proxy statement under the heading “Executive Compensation- Compensation Discussion and Analysis”.

To assist it in performing its duties, the Compensation Committee has the authority to engage outside consulting firms. In 2007, the Company retained Mercer LLC (“Mercer”) to assist in formulating executive compensation recommendations and Mercer also assisted in the preparation of the Company’s 2007 proxy statement. The Compensation Committee reviewed and evaluated materials and recommendations on executive compensation provided by Mercer to the Company. Also in 2007, the Compensation Committee retained Watson Wyatt Worldwide to obtain information, analysis and recommendations respecting certain equity awards for executive officers and, in this context, total compensation, independent from management’s recommendations. In February 2008, in furtherance of its desire to continue to ensure advisor independence from management, the Compensation Committee further expanded its relationship with Watson Wyatt Worldwide to provide a broader level of support to the Compensation Committee in recommending the amount and form of prospective executive and director compensation.

Watson Wyatt Worldwide reports directly to the Compensation Committee and the Compensation Committee may replace Watson Wyatt Worldwide or hire additional consultants at any time. Representatives of Watson Wyatt Worldwide attend meetings of the Compensation Committee, as requested, and communicate with the Chairman of the Compensation Committee between meetings; however, the Compensation Committee is responsible for making recommendations to the Board of Directors regarding the compensation of our executive officers, and the Board of Directors has sole and ultimate decision-making authority in this regard. None of our management participated in the

Compensation Committee's decision to retain Watson Wyatt Worldwide as the Compensation Committee's independent executive compensation consultant. The Compensation Committee regularly reviews the services provided by its outside consultants and believes that Watson Wyatt Worldwide is

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independent in providing executive compensation consulting services to the Compensation Committee. The scope of Watson Wyatt Worldwide's business is providing executive compensation consulting services and it does not provide the Board of Directors, the Compensation Committee or the Company, directly or indirectly through affiliates, any non-executive compensation services, such as pension consulting or human resource outsourcing. In addition, as part of its engagement by the Compensation Committee, Watson Wyatt Worldwide will advise the Chairman of the Compensation Committee of any potential conflicts of interest that could arise and cause Watson Wyatt Worldwide's independence and duty of loyalty to the Compensation Committee to be questioned. In light of these factors, the Compensation Committee does not believe that a formal conflicts policy is necessary at this time.

The Compensation Committee reviews and discusses with management proposed Compensation Discussion and Analysis disclosures and determines whether to recommend the Compensation Discussion and Analysis to the Board of Directors for inclusion in the Company's proxy statement and annual report. The recommendation is described in a Compensation Committee Report included in this proxy statement.

The Compensation Committee met 13 times in 2007.

Nominating and Corporate Governance Committee

The members of the Nominating and Corporate Governance Committee are Mr. Robert S. Gelbard (Chairman), Mr. Malcolm J. Gudis, Mr. John E. Lawler, Ms. Harriet Mouchly-Weiss, Mr. Peter Nessen and Mr. B. Boykin Rose.

The Board of Directors has determined that each member of the Nominating and Corporate Governance Committee is independent, pursuant to the listing standards of the NYSE. Mr. Gelbard serves as Chairman of the Nominating and Corporate Governance Committee.

Our Amended and Restated Certificate of Incorporation expressly delegates to the Nominating and Corporate Governance Committee the full and exclusive power and authority otherwise conferred upon the Board of Directors to evaluate candidates and nominate persons to stand for election to the Board of Directors or fill vacancies on the Board of Directors or newly created directorships. In addition, the Nominating and Corporate Governance Committee (a) identifies candidates to serve as directors and on committees of the Board of Directors, (b) develops, recommends and reviews our corporate governance guidelines on a regular basis, and (c) assists the Board of Directors in its annual review of the Board of Directors performance.

Our Amended and Restated Certificate of Incorporation provides that the Class III Directors have the right to appoint one additional Director, notwithstanding the other exclusive powers and authorities vested in the Nominating and Corporate Governance Committee. The Amended and Restated Certificate of Incorporation also requires that any increase in the maximum size of the Board of Directors (currently 14 with two vacancies) requires the approval of (A) at least two thirds of the entire Board of Directors and (B) at least two thirds of the independent members of the Board of Directors.

The Nominating and Corporate Governance Committee met six times in 2007.

Stockholder Nominations

Our Amended and Restated By-Laws contain provisions which address the process by which a stockholder may nominate an individual to stand for election to the Board of Directors at the Company's annual meeting of stockholders. The Board of Directors has also adopted a formal policy concerning stockholder recommendations of

Board of Directors' candidates to the Nominating and Corporate Governance Committee. This policy is set forth in the Company's Nominating and Corporate Governance Committee charter, which is available on the Company's website at www.L1id.com. Under this policy, the Nominating and Corporate Governance Committee considers director candidates recommended by stockholders who satisfy the notice, information and consent

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requirements set forth in the Company's by-laws. To recommend a nominee for election to the Board of Directors, a stockholder must submit his or her recommendation to the Secretary at the Company's principal executive offices at 177 Broad Street, Stamford, CT 06901. A stockholder's recommendation must be received by the Company (i) no later than the 75th day, nor earlier than the 120th day, prior to the first anniversary of the date that our Company's proxy statement was released to stockholders in connection with the previous year's annual meeting of stockholders, (ii) or, in the event that the annual meeting of stockholders is called for a date more than seven days prior to the first anniversary of the date that our Company's proxy statement was released to stockholders in connection with the previous year's annual meeting of stockholders, (A) no later than the close of business on the 20th day following the first date on which the date of such meeting was publicly disclosed or (B) if such date of public disclosure occurs more than 75 days prior to such scheduled date of such meeting, then the later of (x) the 20th day following the first date of public disclosure of the date of such meeting or (y) the 75th day prior to the scheduled date of such meeting.

A stockholder's recommendation must be accompanied by the following information with respect to a stockholder director nominee as specified in the By-Laws (i) the name, age, business address and residence address of the recommended person, (ii) the principal occupation or employment of the recommended person during the past five years, (iii) the class and number of shares of the Company stock beneficially owned by the recommended person on such date, (iv) whether in the past five years the recommended person has (1) filed for bankruptcy, (2) been convicted in a criminal proceeding or named subject of a criminal proceeding, (3) been found by any court of competent jurisdiction to have violated any Federal law or Federal commodities law, and such judgment or finding was not been subsequently reversed, suspended or vacated or (4) been subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any competent jurisdiction or of any Federal or state governmental or quasi-governmental agency, authority or commission enjoining him or her or otherwise limiting him or her from engaging in any type of business practice or in any activity in connection with the purchase or sale of any security or commodity and (v) the consent of the recommended person to serve as a director of the Company in the event that he or she is elected.

The recommending stockholder must also include in the notice (i) his or her name and address, (ii) the number of shares beneficially owned by him or her on the date of notice and the number of shares beneficially owned by any other stockholder supporting such nomination, (iii) a representation that he or she intends to appear in person at the meeting or that he or she nominates the person specified in the notice and (iv) a description of all arrangements or understanding between him or her and the nominee.

We may require any proposed nominee to furnish other information as we may reasonably require to determine the eligibility of the proposed nominee to serve as a director of the Company. See "PROPOSALS BY STOCKHOLDERS" for the deadline for nominating persons for election as directors at our 2009 annual meeting of stockholders.

Criteria for Director Nominees

In evaluating director nominees, the Nominating and Corporate Governance Committee considers the following factors:

- character and integrity;
- expertise and experience, including leadership qualities and experience, high-level managerial experience in a relatively complex organization or experience dealing with complex problems;
- ability to provide

advice and practical guidance based on experience;

pursuant to the rules promulgated by the SEC and the NYSE;

independent business judgment and commitment to stockholder value;

dedicate towards Board of Directors' activities and towards fulfillment of responsibilities to the Company; and

candidate assists in achieving a mix of Board of Directors members that represents a diversity of background and professional experience.

- independence
- sound and
- sufficient time to
- whether the

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Other than the foregoing, there are no minimum criteria for director nominees, although the Nominating and Corporate Governance Committee may consider such other factors as it may deem are in the best interests of the Company and its stockholders. The Nominating and Corporate Governance Committee does not assign specific weights to, and a potential or incumbent director will not necessarily satisfy all of, the foregoing criteria and in evaluating a candidate does not distinguish on the basis of whether the candidate was recommended by a stockholder.

Process for Identifying and Evaluating Director Nominees

The Nominating and Corporate Governance Committee identifies nominees by first evaluating the current members of the Board of Directors willing to continue in service. Current members of the Board of Directors with skills and experience that are relevant to the Company's business and who are willing to continue in service are considered for re-nomination, balancing the value of continuity of service by existing members of the Board of Directors with that of obtaining a new perspective. If any member of the Board of Directors does not wish to continue in service or if the Nominating and Corporate Governance Committee decides not to re-nominate a member for re-election, the Nominating and Corporate Governance Committee identifies the desired skills and experience of a new nominee based on the criteria listed above. Current members of the Nominating and Corporate Governance Committee and Board of Directors are polled for suggestions as to individuals meeting the criteria of the Nominating and Corporate Governance Committee. Research may also be performed to identify qualified individuals. The Company has, in the past, engaged a third party to identify and evaluate potential nominees.

Attendance at Meetings

Board and Committee Meetings

It is our policy that directors are expected to dedicate sufficient time to the performance of his or her duties as a director, including by attending meetings of the stockholders, Board of Directors and committees of which he or she is a member.

In 2007, the Board of Directors held 14 meetings (including regularly scheduled and special meetings) and took action by unanimous written consent on three occasions. All directors, other than Mr. Buddy G. Beck and Mr. George J. Tenet, attended at least 75% of the total number of meetings of the Board of Directors and committees of the Board of Directors on which such director served.

Stockholder Meeting

Nine directors attended our 2007 annual meeting of stockholders.

Director Presiding at Executive Sessions

Consistent with the Company's Corporate Governance Policy, the Board of Directors schedules executive sessions without any management members present in conjunction with every regularly scheduled Board of Directors' meeting. Peter Nessen, Chairman of the Audit Committee of the Board of Directors, presides over regularly scheduled executive sessions of non-management directors.

Stockholders and other parties interested in communicating directly with Mr. Nessen may do so by writing to Mr. Nessen, c/o Secretary, 177 Broad Street, Stamford, CT 06901.

Stockholder Communications with the Board of Directors

Stockholders and other parties interested in communicating directly with the Board of Directors as a group may do so by writing to the Board of Directors, c/o Secretary, 177 Broad Street, Stamford, CT 06901. The Secretary will review all correspondence and regularly forward to the Board of Directors all such correspondence that, in the opinion of the Secretary, deals with the functions of the Board of Directors or committees thereof or that the Secretary otherwise determines requires

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attention. Concerns relating to accounting, internal controls or auditing matters will immediately be brought to the attention of the Chairman and Vice Chairman of the Audit Committee. We have adopted a Whistleblower Policy, which establishes procedures for submitting these types of concerns, either personally or anonymously through a toll free telephone “hotline” operated by an independent party. A copy of our Whistleblower Policy is available on our website at www.L1id.com.

Stockholders and other parties interested in communicating directly with Mr. Nessen or Mr. Lawler as Chairman and Vice Chairman of the Audit Committee, respectively, may do so by writing to Mr. Nessen or Mr. Lawler, c/o Secretary, 177 Broad Street, Stamford, CT 06901.

Code of Business Ethics & Standards of Conduct

We have adopted a Code of Business Ethics & Standards of Conduct (the “Code”), that applies to all of our directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer. Copies of the Code are available without charge upon request directed to Investor Relations, 177 Broad Street, Stamford, CT 06901, and from our website at www.L1id.com. Any amendments to, or waivers under, our Code which are required to be disclosed by the rules promulgated by the SEC will be disclosed on the Company’s website at www.L1id.com.

Corporate Governance Policy

We have adopted a Corporate Governance Policy. This policy outlines the role of our Board of Directors, the composition and operating principles of our Board of Directors and its committees and our Board of Directors’ working process. Copies of our Corporate Governance Policy are available without charge upon request directed to Investor Relations, 177 Broad Street, Stamford, CT 06901, and from our website at www.L1id.com.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers and directors, and persons who beneficially own more than 10 percent of our common stock, to file reports of ownership and changes in ownership with the SEC. Based solely upon a review of the copies of such forms furnished to us and written representations from our executive officers and directors, we believe that during the year ended December 31, 2007, all persons subject to the reporting requirements of Section 16(a) filed the required reports on a timely basis except that each of our non-employee directors and Louis J. Freeh, a former non-employee director, filed one late Form 4 covering one transaction.

Compensation Committee Interlocks and Insider Participation

None of the members of the Compensation Committee are present or past employees or officers of the Company or any of its subsidiaries. No member of the Compensation Committee has had any relationship with us requiring disclosure under Item 404 of Regulation S-K of the Securities Exchange Act of 1934. None of our executive officers currently serves, or in the past fiscal year has served, on the Board of Directors or compensation committee (or other committee serving an equivalent function) of any other entity, one of whose executive officers served on our Board of Directors or Compensation Committee.

The information contained in this proxy statement with respect to the charters of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee, the description of the Audit Committee and the

independence of the non-management members of the Board of Directors shall not be deemed to be “soliciting material” or to be “filed” with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates it by reference in such a filing.

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BENEFICIAL OWNERSHIP OF OUR COMMON STOCK

Set forth below is certain information as of March 17, 2008, with respect to the beneficial ownership determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended, of our common stock by (1) each person who, to our knowledge, is the beneficial owner of more than 5% of our outstanding common stock, (2) each director and nominee for director, (3) each of the named executive officers named in the Summary Compensation Table under "Executive Compensation," and (4) all of our executive officers and directors as a group. Unless otherwise stated, the business address of each person listed is c/o L-1 Identity Solutions, Inc., 177 Broad Street, Stamford, CT 06901.

Securities Beneficially Owned(1)		Name and Address of Beneficial Owner		Shares	
Beneficially Owned	Percentage				
of Shares Outstanding(2)	Principal Securityholders:				
		Aston Capital Partners L.P.(3)	9,219,047	11.60	
% L-1 Investment Partners, LLC(4)	9,499,047	11.91 %	Directors:	B.G. Beck(5)	1,112,004
1.42 %	Denis K. Berube(6)	2,194,262	2.81 %	Milton E. Cooper(7)	105,870
36,515	* Malcolm J. Gudis(9)	77,490		* John E. Lawler(10)	84,686
13,250	* Harriet Mouchly-Weiss(12)	66,508		* Peter Nessen(13)	67,679
13,250	* George J. Tenet(15)	21,411		* Named Executive Officers:	Robert V. LaPenta(16)
	Chairman, President, and Chief Executive Officer	10,493,152	13.14 %	James DePalma(17)	
	Executive Vice President, Chief Financial Officer and Treasurer	9,578,419	12.00 %	Joseph Atick(18)	
	Executive Vice President, Chief Strategy Officer	1,132,100	1.44 %	Mark S. Molina(19)	
	Executive Vice President, Chief Legal Officer and Secretary	294,736		* Joseph Paresi(20)	
	Executive Vice President, Chief Marketing Officer	9,549,904	11.97 %	All Directors and Officers as a Group(21)	
	18 persons	15,933,401	19.61 %		

* Less

than 1%. (1) The holdings reported in this table for directors and executive officers are based upon information supplied by these individuals to the Company. (2) Applicable percentages are based on 77,837,351 shares outstanding as of March 17, 2008. (3) Includes 1,600,000 shares of common stock issuable pursuant to currently exercisable warrants held by Aston Capital Partners L.P. ("Aston"). The ultimate controlling persons of Aston are Robert V. LaPenta, James A. DePalma, Doni L. Fordyce and Joseph Paresi, each of whom is an executive officer of the Company, a managing member of L-1 Investment Partners LLC ("L-1 Partners"), the investment manager of Aston, and a managing member of Aston Capital Partners GP LLC, the general partner of Aston. (4) Includes 7,619,047 shares of common stock and 1,600,000 shares of common stock issuable pursuant to currently exercisable warrants held by Aston, of which L-1 Partners is the general partner and investment manager. Also includes 280,000 shares of common stock issuable pursuant to currently exercisable warrants held by L-1 Partners. (5) Includes 79,995 shares of common stock held in a grantor retained annuity trust of which Mr. Beck is a trustee. Also includes 13,000 shares of common stock issuable pursuant to stock options which were exercisable as of March 17, 2008, or which become exercisable within 60 days of such date.

(6) Includes 2,112,581 shares of common stock held by Lau Technologies and 400 shares of common stock held by Ms. Lau, the spouse of Mr. Berube. Also includes 23,000 shares of common stock issuable pursuant to stock options which were exercisable as of March 17, 2008, or which become exercisable within 60 days of such date. Mr. Berube disclaims beneficial ownership of the shares held by Lau Technologies and the shares held by Ms. Lau. (7) Includes 85,140 shares of common stock issuable pursuant to stock options which were exercisable as of March 17, 2008, or which become exercisable within 60 days of such date. (8) Includes 19,000 shares of common stock issuable pursuant to stock options which were exercisable as of March 17, 2008, or which become exercisable within 60 days of such date. (9) Includes 56,760 shares of common stock issuable pursuant to stock options which were exercisable as of March 17, 2008, or which become exercisable within 60 days of such date. (10) Includes 49,665 shares of common stock issuable pursuant to stock options which were exercisable as of March 17, 2008, or which become exercisable within 60 days of such date. (11) Includes 6,250 shares of common stock issuable pursuant to stock options which were exercisable as of March 17, 2008, or which become exercisable within 60 days of such date. (12) Includes 38,667 shares of common stock issuable pursuant to stock options which were exercisable as of March 17, 2008, or which become exercisable within 60 days of such date. (13) Includes 42,500 shares of common stock issuable pursuant to stock options which were exercisable as of March 17, 2008, or which become exercisable within 60 days of such date. (14) Includes 6,250 shares of common stock issuable pursuant to stock options which were exercisable as of March 17, 2008, or which become exercisable within 60 days of such date. (15) Includes 13,250 shares of common stock issuable pursuant to stock options which were exercisable as of March 17, 2008, or which become exercisable within 60 days of such date. (16) Includes 121,382 shares of common stock issuable pursuant to stock options which were exercisable as of March 17, 2008, or which become exercisable within 60 days of such date. Also includes 7,619,047 shares of common stock held by Aston and 1,600,000 shares of common stock issuable pursuant to currently exercisable warrants held by Aston and 280,000 shares of common stock issuable pursuant to currently exercisable warrants held by L-1 Partners. Mr. LaPenta is a managing member of L-1 Partners. Mr. LaPenta disclaims beneficial ownership of the shares held by Aston, the shares issuable to Aston upon the exercise of warrants, and the shares issuable to L-1 Partners upon the exercise of warrants. (17) Includes 68,930 shares of common stock issuable pursuant to stock options which were exercisable as of March 17, 2008, or which become exercisable within 60 days of such date. Also includes 7,619,047 shares of common stock held by Aston and 1,600,000 shares of common stock issuable pursuant to currently exercisable warrants held by Aston and 280,000 shares of common stock issuable pursuant to currently exercisable warrants held by L-1 Partners. Mr. DePalma is a managing member of L-1 Partners. Mr. DePalma disclaims beneficial ownership of the shares held by Aston, the shares issuable to Aston upon the exercise of warrants, and the shares issuable to L-1 Partners upon the exercise of warrants. (18) Includes 537,657 shares of common stock issuable pursuant to stock options which were exercisable as of March 17, 2008, or which become exercisable within 60 days of such date. (19) Includes 291,672 shares of common stock issuable pursuant to stock options which were exercisable as of March 17, 2008, or which become exercisable within 60 days of such date. (20) Includes 46,857 shares of common stock issuable pursuant to stock options which were exercisable as of March 17, 2008, or which become exercisable within 60 days of such date. Also includes 7,619,047 shares of common stock held by Aston and 1,600,000 shares of common stock issuable pursuant to currently exercisable warrants held by Aston and 280,000 shares of common stock issuable pursuant to currently exercisable warrants held by L-1 Partners. Mr. Paresi is a managing member of L-1 Partners. Mr. Paresi disclaims beneficial ownership of the shares held by Aston, the shares issuable to Aston upon the exercise of warrants, and the shares issuable to L-1 Partners upon the exercise of warrants. (21) Consists of 1,506,237 shares of common stock issuable pursuant to stock options which were exercisable as of March 17, 2008, or which become exercisable within 60 days of such date, 1,880,000 shares of common stock issuable pursuant to currently exercisable warrants held by Aston and L-1 Partners, and 12,547,164 shares of common stock held by the executive officers and directors as a group and deemed to be beneficially held by the directors and executive officers as a group, including 7,619,047 shares of common stock held by Aston.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This section provides information regarding the Company's compensation policies and decisions for Robert V. LaPenta, our Chairman, President, and Chief Executive Officer (our "CEO"), James A. DePalma, our Executive Vice President, Chief Financial Officer, and Treasurer (our "CFO"), and the three most highly-compensated individuals other than our CEO and CFO who were serving as executive officers at December 31, 2007: Joseph Atick, Executive Vice President and Chief Strategy Officer; Mark S. Molina, Executive Vice President, Chief Legal Officer, and Secretary; and Joseph S. Paresi, Executive Vice President and Chief Marketing Officer. The compensation of these five executives is covered in the Summary Compensation Table presented in this proxy statement (the "Named Executive Officers"). The Compensation Discussion and Analysis appearing in this section (the "CD&A") includes information regarding, among other things, our executive compensation philosophy, the overall objectives of our executive compensation program, what our compensation policies are designed to reward, and a discussion of each element of compensation.

Introduction

The Company is the trusted provider of solutions and services that protect and secure personal identities and assets. Together, our portfolio of subsidiaries and divisions — Viisage (Secure Credentialing Division), Identix, Integrated Biometric Technology LLC, SecuriMetrics Inc., Iridian Technologies, Inc., ComnetiX Inc., Spectral LLC, McClendon LLC, Advanced Concepts, Inc., and Bioscript Inc. deliver a full range of offerings required for solving the problems associated with managing human identity. Our offerings form the cornerstone for building convenient and secure identification (ID) solutions. They are built on a 20-year history of trust and reliability established by serving the identity needs of federal governments, civil agencies, law enforcement, border management agencies and commercial businesses.

Our customers include domestic and international governments, law enforcement and border management agencies, various U.S. military branches, and commercial businesses. The security industry has grown rapidly in recent years and is constantly changing as a result of technological advances, the ever-increasing sophistication of our customers, and the demand for comprehensive security solutions. In an effort to maintain our leadership position in identity solutions and to meet ever-changing security needs, we must attract and retain executives who are experienced in the security industry and in running growing global businesses. Our long-term success is dependent on a leadership team with the integrity, skills, and dedication necessary to oversee a dynamic organization and the vision to anticipate and respond to emerging market developments. Our executive compensation program is designed to motivate and reward individuals who possess these characteristics.

Summary of Our Executive Compensation Program

Program Objectives

Our executive compensation program is designed to further the Company's annual and long-term business objectives by providing our executives with compensation that is competitive within our industry sector and that will motivate our executives to make decisions that enhance both the Company's financial position and the value of our stockholders' investments. The program links compensation directly to both corporate and individual performance to motivate executives to superior performance and to ensure their continuing employment.

Compensation-Setting Process

We use a structured process to make compensation decisions for our executives. Each year, the Compensation Committee reviews the base salaries, annual incentive award opportunities, long-term incentive awards, and Target Total Direct Compensation (“TTDC”, which represents the sum of these

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three compensation elements) of our executives, including the Named Executive Officers, and makes recommendations to the Board of Directors for approval. Generally, the Compensation Committee works with our CEO throughout its deliberations to ensure that our executives are compensated in accordance with our compensation objectives and policies. It also considers market practices to ensure that the compensation that we pay to our executives is competitive by reviewing executive compensation data for comparable companies and general industry surveys.

Competitive Market Analysis

As noted above, in formulating compensation recommendations for our executives, including the Named Executive Officers, the Compensation Committee considers prevailing competitive market practices. In recognition of the Company's recent significant growth and our ongoing need to motivate and retain executives experienced in the complexities of managing an organization that is being built through numerous acquisitions, in 2007 the Compensation Committee, with the assistance of Mercer, a national compensation consulting firm, identified a group of comparable companies with the goal of assuring that the roles and responsibilities of the executives of those companies were comparable to the roles and responsibilities of our executives. Mercer followed a selection and narrowing process to develop the group of comparable companies, as described below.

• First, Mercer evaluated the external marketplace of software/technology companies to identify any organizations that operate in the same market as L-1 — either the Biometric, Government Consulting Services, Document Authentication or Credentialing markets.

• Second, Mercer screened those companies to identify those with revenue ranging from 50% to 300% of the Company's total revenue.

• Next, because L-1's direct competitors fell outside the target revenue range and were not highly acquisitive in nature, Mercer also selected technology and software companies that were in the target revenue range and are highly acquisitive.

After completing the process described above, Mercer provided the Compensation Committee with a final group of comparable companies consisting of:

- Citrix Systems,
- McAfee,
- Sybase,
- Parametric Technology Corp,
- Lawson Software,
- National Instruments Corp,
- Tibco Software,
- Quest Software,
- Citadel Broadcasting Corp., Nuance Communications, and
- Progress Software Corporation (the "Peer Group").

In addition, because of the difficulty in identifying comparable companies, Mercer supplemented the selection of the Peer Group by reviewing compensation data from two general industry surveys that included companies with

revenues that were very similar to the Company's total revenue. Specifically, the following general industry surveys were considered, together with the Peer Group, in determining the base salaries and Target Total Direct Compensation of our executives.

Mercer — Americas Executive Remuneration Database Survey, general industry

Wyatt — Top Management Survey, general industry

In using these surveys, Mercer recommended that a 20% premium be applied to the data for each comparable executive position to reflect the relatively higher compensation levels of executives in the

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high technology sector. In addition, Mercer updated all survey data, which reflected 2006 information, by increasing relevant compensation amounts by 4.1%, to reflect annual pay trends for executives. The base salary, annual incentive opportunity and total cash compensation recommended by management was compared against both the Peer Group data and the published survey data in order to analyze the competitiveness of our executives' compensation.

2007 Compensation Considerations

In 2007, the Compensation Committee recommended, and the Board of Directors approved, adjustments to our executives' base salaries, annual incentive award payments, and stock option grants. In reviewing the compensation levels for our executives, including the Named Executive Officers, for 2007, the Compensation Committee took into consideration the Company's recent significant growth since the merger of Viisage Technology, Inc. ("Viisage") and Identix in 2006, when compensation was last reviewed. The Compensation Committee also noted that, by virtue of its successful acquisition strategy, the Company's revenue was nearly six times larger in 2007 than in 2005 and, as of December 31, 2007, the Company had a total of eight operating subsidiaries and divisions (the Company added a ninth operating subsidiary in March 2008). Based on these achievements and its ongoing business strategy, the Compensation Committee determined that the Company will continue to require highly experienced managers, and motivating and retaining qualified executives will remain critical to our future success.

The Compensation Committee developed its compensation recommendations with input from our CEO. The Compensation Committee also considered the market compensation data (as defined below) and input from Mercer and Watson Wyatt, each a national compensation consulting firm. Based on these considerations, the Compensation Committee determined that, in the aggregate, the compensation elements for our executives, including the Named Executive Officers, including base salaries, annual incentive award opportunities, and long-term incentive awards, should continue to be set at or about an average of the 75th percentile of the Peer Group data and the published survey data as adjusted by Mercer. This average is referred to in the remainder of this CD&A as "market compensation data."

When determining where to position the compensation of each executive, including each Named Executive Officer, the Compensation Committee also considered each individual's past performance, experience, importance to our business, internal equity, and his compensation level relative to the market compensation data. Further, the Compensation Committee evaluated the TTDC opportunity for each executive to assure that all compensation decisions were aligned with our compensation philosophy. Finally, each executive's annual compensation, and specifically long-term incentive compensation, was reviewed in light of his overall wealth opportunity and decisions were made specifically to ensure that the overall wealth opportunity of the executive was adequate in light of such person's role and contribution to the Company.

Elements of Compensation

In 2007, the primary compensation elements for our executives, including the Named Executive Officers, were:

- base salary;
- annual incentive awards;
- long-term incentive awards (in the form of stock options); and
- retirement and other benefits

In addition, certain of our executives, including all of our Named Executive Officers, have an employment agreement with the Company that provides for certain retirement benefits and potential payments upon termination of employment for a variety of reasons, including following a change in control of the Company.

Base Salary

Under our executive compensation program, we view the purpose of base salary to fairly and competitively compensate our executives, including the Named Executive Officers, with a fixed

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amount of cash for the jobs they perform. Accordingly, we seek to ensure that base salary levels are competitive and consistent with industry practices. The challenge for the Company with its rapid growth in size is to keep base compensation at competitive levels and in line with our compensation philosophy.

Each of our Named Executive Officers is party to an employment agreement with the Company. Each of these agreements specifies the minimum base salary level that each Named Executive Officer is to receive during the term of his agreement. The Board of Directors may in its discretion set their base salary at any higher level that it deems appropriate.

Base salary levels were reviewed by the Compensation Committee, which then made recommendations for salary adjustments to the Board of Directors effective August 29, 2007. In this review, which was the first such review since the August 2006 merger between Viisage and Identix, the Compensation Committee took into account the significant growth in the Company since that time. Also considered in individual determinations were factors including base salary relative to similar positions as reflected in the market compensation data, length of service, professional experience, internal pay equity, and relative contribution to our performance.

As a result of the review, the Board of Directors approved the following adjustments to the base salaries of the Named Executive Officers effective August 29, 2007:

- Mr. LaPenta's base salary was increased by \$200,000. While the Compensation Committee and the Board of Directors recognized that this increase was substantial, they believed that based on the market compensation data, his previous base salary was not commensurate with the Company's compensation philosophy and that as adjusted, his base salary would more appropriately reflect the current size and scope of the Company as well as his contribution and level of experience.
- Dr. Atick's base salary remained the same because the Compensation Committee and the Board of Directors believed that his salary level was already appropriate given his role and contribution.
- Mr. DePalma's base salary was increased by \$50,000.
- Mr. Molina's base salary was increased by \$40,000.
- Mr. Paresi's base salary was increased by \$50,000.

The base salaries earned by the Named Executive Officers during 2007 are reported in the Summary Compensation Table on page 28 of this proxy statement.

Special Equity Grants

The Compensation Committee made special equity grants to our executives, including the Named Executive Officers, during the fourth quarter of 2007. The grants were made to bridge any shortfall in compensation between the level of base salaries provided (as outlined above) and a targeted 75th percentile aggregate compensation level for each of the Named Executive Officers based on the market compensation data. The Compensation Committee determined the shortfall in compensation that would occur over a four year period and provided an equity grant subject to a four year vesting schedule equal to four times the shortfall. The actual number of shares granted was determined based on dividing the resulting number by the fair value on the date of grant (our estimate of the value of the option over the four year vesting period using the Black-Scholes valuation methodology, in accordance with the provisions of SFAS No. 123(R), Share-Based Payment and the term in accordance with the expected life of options was based on the

average life of 6.3 years pursuant to the guidance from SAB No. 107.) The adjustments made to the base salary and the special equity grants, when added to the annual incentive award opportunity and long-term incentive awards provided in 2007, place the Target Total Direct Compensation for our CEO at the 50th percentile and all other Named Executive Officers at or about the 75th percentile.

Annual Incentive Awards

We provide an annual incentive award opportunity to our executives that is designed to enhance the Company's financial position and encourage the achievement of individual annual strategic

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objectives. Generally, at the beginning of each year, our CEO will develop an annual incentive award plan for the year for our key employees and executives, including the Named Executive Officers (the “Management Incentive Plan” or “MIP”). This plan is then submitted to the Compensation Committee for consideration and approval, and in the case of each executive, the approval of the Board of Directors.

Target Award Levels

Under the Management Incentive Plan, target award levels for plan participants, which are generally expressed as a percentage of base salary earned for the year, are established by our CEO at the time of hire, promotion, or transfer to an eligible position. Factors that are considered in determining a target award level for management personnel include prior award targets and actual payouts, the participant’s last performance rating, exceptional contributions, market value of the position, job functions, internal pay equity, subsidiary or division performance, and requirements of any existing employment agreement. In the case of our Named Executive Officers, their target award levels of 50% of base salary were specified in their employment agreements.

The Compensation Committee, with input provided by the Company and Mercer, determined that the current target award levels of 50% of base salary, taken together with base salary, was appropriate to place total cash compensation between the 50th and 75th percentile of market compensation data for total cash compensation. While Mercer’s assessment of the data suggested that the Company could be more aggressive on the bonus opportunity for certain of the Named Executive Officers, the Compensation Committee’s desire was to continue to align executive compensation with ultimate stockholder performance. Accordingly, the Compensation Committee has placed more emphasis on the long term incentive awards delivered through equity than on the annual incentive opportunity typically delivered in cash.

Target Award Measures

Award payouts are based on the Company’s actual performance for the year measured against one or more corporate objectives (as determined by the Compensation Committee and approved by the Board of Directors) and individual performance for the year measured against one or more individual objectives (as deemed achieved by our CEO and approved by the Board of Directors). The objective is to establish these corporate and individual performance objectives by March of each year. Award payouts are typically paid by March 15 of the following year.

Award Payouts

Award payouts are made after the end of the year based on a review of corporate and individual performance against each executive’s pre-established corporate and individual objectives. Generally, a 90% threshold performance level has been established for each objective. If this threshold is not met for a given component, then there would be no payout under that component. Where this threshold is exceeded, then the payout will increase at designated intervals as the level of performance increases. Meeting the pre-established performance objectives for a performance component will result in a full payout, while exceeding the targeted objectives may result in a greater payout, subject to the approval of the Compensation Committee and, in the case of our executive officers, the Board of Directors. Generally the MIP guidelines provide that in no case will a payout exceed 125% of the targeted payout amount, unless the CEO recommends and the Compensation Committee (or the Board of Directors, as the case may be) approves or recommends a higher payment in recognition of exceptional performance.

For example, if a plan participant’s total target award level is \$100,000, the portion of the award based on Company performance (at target) is \$50,000. Similarly, the portion of the award based on individual performance is set at \$50,000. If either of the corporate performance measures (actual sales revenue or adjusted EBITDA) was greater than

90% of the 2007 goal but less than 100%, the potential award payout for this component was limited to 75% of the target, and, if actual revenue or profitability was less than 90% of the 2007 goal, there was no payout with respect to the Company performance component. Generally, if the participant's actual performance against his individual performance goals is less than 50%, there will be no credit granted for this particular factor. Generally,

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if actual performance is greater than 50% but less than 90%, the maximum credit to be granted is 50% for this particular factor. If actual performance is greater than 90% (but less than 100%), payment for this component is capped at a maximum of 75%.

2007 MIP. Under the 2007 Management Incentive Plan, the Compensation Committee recommended, and the Board of Directors approved, performance objectives for executive officers and plan participants. The performance objectives included a Company performance component and an individual performance component. For the Named Executive Officers, the Company and individual performance components each accounted for 50% of each executive's target award.

The Company performance component was comprised of two metrics: total Company/subsidiary/division revenue, and earnings before interest, income taxes, depreciation, and amortization and after adjustment for stock-based compensation expense ("Adjusted EBITDA"). In the case of the Named Executive Officers, these measures were based on consolidated Company revenue and Adjusted EBITDA relating to the L-1 businesses prior to any acquisitions finalized in 2007. For the year ended December 31, 2007 the overall Company revenue target was set at \$335 million and the overall Company Adjusted EBITDA target was set at \$60 million. For the year ended December 31, 2007, the Compensation Committee determined, based on the Company's audited consolidated financial results (without regard to the businesses acquired by L-1 in 2007), that the Company achieved 100% of its consolidated revenue target and achieved 93% of its consolidated Adjusted EBITDA target.

The individual performance component was based on the achievement of pre-established individual strategic goals reflecting corporate or business unit objectives. We believe that this approach better aligns individual performance with our corporate, subsidiary and divisional goals for the year. The individual performance objectives for our Named Executive Officers were intended to represent goals that would require exceptional performance to attain in full, and none of the Named Executive Officers either received or were credited for 100% payout based on achievement of his individual performance objectives.

Individual performance objectives addressing the following responsibilities were established for our Named Executive Officers for 2007 and were evaluated in connection with determining each executive's annual incentive award payout:

- Mr. LaPenta — set an appropriate "tone at the top" for the Company by demonstrating high ethical values, honesty and integrity, establish and communicate vision, show leadership by attaining a shared vision and high performance among top management, manage Board of Directors' relations and execute Board of Directors' directives, represent the Company among its constituencies, establish short and long term strategies with respect to technologies, products and services, select and monitor management team and develop a succession plan.

- Mr. DePalma — support and execute merger and acquisition activities, streamline financial operations through effective implementation of systems and resources, support divisions in reporting operational effectiveness and in strengthening financial organization and processes, provide timely information and data to the Board of Directors, improve cash management, and evaluate and execute financing alternatives.

- Dr. Atick — focus on Middle East and India opportunities, develop iris technology capabilities, support specified product releases, support specified customer efforts, and lead efforts to resolve a historical intellectual property and contractual dispute.

- Mr. Molina — lead legal efforts on all mergers and acquisitions activity, lead legal efforts to resolve a historical intellectual property and contractual dispute, manage outside legal advisors on a global basis to maximize results, enhance efficiencies and reduce costs, lead legal efforts in settlement of historical class action litigation and government contract award

protests, manage compliance efforts with respect to licensing and resellers, and ensure appropriate training in government contracting disciplines.

- Mr. Paresi — manage international sales staff, establish and achieve marketing goals, coordinate state and local marketing efforts, establish and achieve goals for sales representatives, coordinate Washington operations, and achieve certain program objectives.

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The following process was used to evaluate corporate and individual performance and to decide the appropriate payout levels for the Named Executive Officers.

Following the 2007 year-end, our CEO formulated his final recommendations for the Compensation Committee with respect to proposed award payouts. The Named Executive Officers participated in the performance review by discussing their performance and self-evaluation with the CEO. In formulating his recommendations, our CEO reviewed the Company's performance against the internal revenue and Adjusted EBITDA targets that were established at the beginning of the year, and made subjective assessments of each participant's individual performance against his strategic objectives. The Compensation Committee, upon due consideration of his recommendations, and after making adjustments in some cases, developed proposed annual incentive award payouts for the Named Executive Officers and recommended such payouts to the Board of Directors.

The compensation used to determine the actual payout is base salary earned during the fiscal year. Since we made adjustments to base salaries effective August 29, 2007, the compensation reflects eight months at the prior salary level and four months at the new salary levels outlined above.

Our CEO also recommended that, to reinforce the Company's philosophy of encouraging executives to make long-term decisions that enhance our financial position and the value of our stockholders' investments, a certain portion of the award payouts for the Named Executive Officers should be made in the form of equity.

The following table shows the total amount of 2007 MIP award paid and the amount paid in cash versus equity for each of the Named Executive Officers. The equity awards are fully vested at the time of grant.

Name	Total Paid	Cash							
	(\$)	Shares							
	(#)	Options							
(#) Robert V. LaPenta	\$ 275,000	\$ 0	20,755	0	James A. DePalma	\$ 150,000	\$ 0	11,321	0
Joseph Atick	\$ 150,000	\$ 100,000	0	12,082	Mark S. Molina	\$ 130,000	\$ 105,000	0	6,041
Joseph Paresi	\$ 100,203	\$ 100,203	0	0					

The incentive award payments for our CEO and CFO were deferred by these executives as permitted under the terms of their respective employment agreements and as further described under the Nonqualified Deferred Compensation Table on page 34 of this proxy statement.

Long-Term Incentive Awards

Substantially all of our long-term incentive awards consist of stock options. We believe that the upside potential in stock options is attractive to our employees and that an option's greater reward for performance and growth orientation compared to restricted stock is well-aligned with our stockholders' interests. We believe that these incentives encourage our executives to act with the long-term perspective necessary to ensure the continued success of the Company. Stock options vest through continued service over four years in equal annual 25% increments, which ensure that an executive will realize value from his or her award only if the market price of the Company's common stock appreciates and stays above the option's exercise price for a sustained period. Stock options are intended to create and maintain an environment that motivates retention and longevity of key employees and to provide additional incentive to executives to promote the success of the Company's business. By providing them a direct stake in the Company's welfare, stock options are intended to assure a closer identification of executives' interests with those of the

Company and its stockholders and to stimulate the executives' efforts on the Company's behalf and to strengthen their desire to remain with the Company.

Recommendations for grants and awards to executives, including the Named Executive Officers, and directors are made to the Board of Directors by the Compensation Committee taking into account the recommendations of our CEO, as appropriate. The Board of Directors must approve all

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stock option grants and other equity awards to executives and directors. The Board of Directors retains the discretion to make additional awards to executives at other times in connection with their initial hiring, for retention purposes, or otherwise.

In May 2007, the Compensation Committee recommended, and the Board of Directors approved, stock option grants to our executives, including the Named Executive Officers. These grants were the first equity grants made since the Named Executive Officers became executive officers of the Company upon the August 2006 merger of Viisage and Identix. The grants were made as part of the Company's first post-merger compensation cycle and were intended to provide additional long-term incentive compensation as existing awards vested. In connection with making the grants, the Compensation Committee reviewed the recommendations of our CEO, as well as equity compensation data provided by Mercer and Watson Wyatt.

Equity Award Grant Practices

Stock options and other equity awards are granted under the Viisage Technology, Inc. 2005 Long-Term Incentive Plan and the 2002 Equity Incentive Plan (formerly, the Identix Plan) until the 2002 Plan share reserve is exhausted. The Company is requesting stockholder approval for the 2008 Long-Term Incentive Plan, as described on pages 52 to 56 of this proxy statement. Generally, stock options and other equity awards are granted to newly-hired employees on the later of either the first day of employment with the Company, or the date the option or award is approved by the Compensation Committee or the Board of Directors, as the case may be. Options and other equity awards are granted to continuing executives, our other employees, and directors on a regular basis based on performance and other factors. In the case of directors, options and other equity awards are granted when a new director joins the Board of Directors and then automatically thereafter on an annual basis on the first business day of every calendar year as part of the directors' total compensation for the year. All awards are effective on the date of approval by the Compensation Committee or the Board of Directors, as the case may be, except for annual directors' grants which are deemed effective automatically on the first business day of every calendar year.

Stock options and other equity awards are granted in accordance with the Company's Stock Option Grant and Administration Policy as approved by the Board of Directors in December 2006. Recommendations for grants and awards to executives, including the Named Executive Officers, and directors are made to the Board of Directors by the Compensation Committee taking into account management recommendations, as appropriate. The Board of Directors must approve all stock option grants and other equity awards to executives and directors. The Board of Directors retains the discretion to make additional awards to executives at other times in connection with the initial hiring of a new employee, for retention purposes, or otherwise.

Each stock option grant and other equity award must specify all of the material terms of the grant or award, including the date of grant, exercise price, vesting schedule, term, and any other terms the Compensation Committee or the Board of Directors deems appropriate. Option grants made to our executives, or any of our other employees or directors, are made with an exercise price equal to the closing sales price of a share of the Company's common stock on the date of grant. Neither the Board of Directors nor the Compensation Committee can delegate its authority or responsibility with respect to stock option grants to any other subcommittee or member of management.

The compensation cost recognized during 2007 in connection with the long-term incentive awards made to the Named Executive Officers is reported in the Summary Compensation Table on page 28 of this proxy statement. Additional information on these awards, including the number of shares subject to each award, is reported in the Grants of Plan-Based Awards Table on page 29 of this proxy statement.

Retirement and Other Benefits

We provide a Section 401(k) Retirement Savings Plan, a tax-qualified defined contribution plan, to our employees and executives, including the Named Executive Officers. This plan permits participants to make pre-tax contributions of up to 90% of their base salary, not to exceed the

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applicable statutory income tax limitation. In addition, we may make discretionary contributions to the plan in any year, up to certain limits. The Company's contributions to the accounts of the Named Executive Officers are shown in the Summary Compensation Table on page 28 of this proxy statement.

Additional benefits received by our executives, including the Named Executive Officers, include health care benefits, dental, vision, disability, and life insurance coverage. These benefits are provided on the same basis as to all of our employees. The Named Executive Officers do not receive any perquisites or other personal benefits except that our executives are eligible for an "executive class" life insurance benefit of \$1 million (of which \$700,000 is guaranteed). This benefit became available on January 1, 2007. Our standard life insurance benefit for our employees generally provides coverage in an amount equal to two times an employee's base salary, up to a maximum of \$500,000.

Under the terms of their respective employment agreements, both our CEO and CFO are permitted to defer the receipt of all or any portion of their annual incentive award payouts if those awards are paid in shares of the Company's common stock. We provide this benefit because we wish to permit these executives the flexibility to defer the obligation to pay taxes on certain elements of their compensation while also potentially receiving earnings on deferred amounts. We believe that this arrangement is an important retention tool for our Company, as many of the companies with which we compete for executive talent provide similar plans or arrangements for their senior employees. Our CEO and CFO each elected to defer receipt of their earned 2007 annual incentive awards and previously deferred receipt of their 2006 annual incentive awards.

Employment, Severance and Change-in-Control Agreements

Employment Agreements with Our Named Executive Officers

The Company has entered into an employment agreement with each of our Named Executive Officers. These employment agreements were entered into in connection with the August 2006 merger of Viisage and Identix and are intended to provide each executive with job security for the term of the agreement by specifying the reasons pursuant to which their employment may be terminated by the Board of Directors and providing them with certain compensation and benefits under certain circumstances. For a description of these payments and benefits, see Potential Payments Upon Termination or Change in Control and the accompanying narrative on pages 35 to 44 of this proxy statement.

These employment agreements also protect the Company's interests during and following termination of employment by providing specific reasons for termination and by prohibiting the executives from engaging directly or indirectly in competition with the Company, from recruiting or soliciting any officer or employee, from diverting customers to a competitor, or from disclosing confidential Company information or business practices. We believe that these provisions help ensure our long-term success.

In the event of a termination of employment in certain circumstances, including in connection with a change in control of the Company, the employment agreements provide for the immediate and full vesting of all outstanding stock options and restricted stock awards in addition to certain severance payments and other benefits.

The Company is also obligated under the employment agreements to pay our Named Executive Officers an additional amount so that the net amount paid to or for the benefit of the executive, after deduction of all federal and state income, excise, employment, and any other applicable taxes is equal to what the executive would have received if he was not required to pay the taxes. The effects of these taxes generally are unpredictable and can have widely divergent and unexpected effects based on an executive's personal compensation history. Therefore, to provide an equal level of benefit across individuals without regard to the effect of the excise tax, we have determined that these payments are

appropriate for our most senior executives.

For more information about the severance and change-in-control provisions of these employment agreements, see the discussion of Potential Payments Upon Termination or Change in Control and the accompanying narrative on pages 35 to 44 of this proxy statement.

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Rule 10b5-1 Trading Plans

Executives may implement a trading plan under Exchange Act Rule 10b5-1 after pre-clearing the plan with the Company's Compliance Officer under the Company's Insider Trading Policy and as long as the plan is entered into when the executive is not in possession of material nonpublic information and during an open trading window under the Company's Insider Trading Policy. Mr. Mark S. Molina, Executive Vice President, Chief Legal Officer and Secretary, is the Compliance Officer under the Company's Insider Trading Policy.

Tax Policies

While we generally seek to ensure the deductibility of the incentive compensation paid to our executives, the Compensation Committee retains the flexibility necessary to provide cash and equity compensation in line with competitive practice, our compensation philosophy, and the best interests of our stockholders even if these amounts are not fully tax deductible.

Summary Compensation Table for 2007

The following table sets forth information with respect to the total compensation of the Named Executive Officers for services in all capacities to us and our subsidiaries in fiscal year 2007.

Name and Principal Positions	Year	Salary	(\$)	Bonus	(\$)(1)	Stock Awards	(\$)(2)	Option Awards	(\$)(3)	Non-Equity Incentive Plan Compensation	(\$)(4)(5)	All Other	Comp(6)	Total(7)
Robert V. LaPenta	2007	\$ 618,974	—	—	\$ 1,310,185	\$ 275,000	\$ 9,540	\$						
Chairman, CEO and President	2006	187,564	—	37,500	271,293	183,000	7,502							
James A. DePalma	2007	342,244	—	738,582	150,000	9,540	1,239,826	EVP,						
CFO and Treasurer	2006	110,833	—	172,078	108,000	—	390,911	Joseph Atick	2007					
		400,000	—	790,402	150,000	9,217	1,349,402	EVP, Chief Strategic Officer						
Mark S. Molina	2007	298,795	—	564,003	130,000	9,540	1,001,798	EVP,						
Chief Legal Officer and Secretary								Joseph S. Paresi	2007	292,244	—			
		—	480,155	100,203	217	872,602	EVP, Chief Marketing Officer							

(1) The

Company paid no discretionary bonuses to the Named Executive Officers for 2007 or 2006. Payouts under the Company's 2007 Management Incentive Plan for 2007 and 2006 are reported in the Non-Equity Incentive Plan Compensation column. (2) The amounts reported in the Stock Awards column represent the portion of the grant date fair value of the stock-based awards made to Mr. LaPenta during 2006 that was recognized for financial reporting purposes with respect to 2006 in accordance with Statement of Financial Accounting Standards No. 123 (revised 2004) "Share-Based Payment" (SFAS 123(R)). See the Grants of Plan-Based Awards Table for information on awards made in 2007. The amount reflected in this column represents a stock award that Mr. LaPenta received while serving as a director of Viisage prior to the merger with Identix. Note that the amount reported in this column reflect the Company's accounting cost for this award, and does not correspond to the actual economic value that will be received by Mr. LaPenta from the award. (3) The amounts reported in the Option Awards column represent the portion of the grant date fair value of the stock options made to the Named Executive Officers during 2007 and in prior years that was recognized for financial reporting purposes with respect to 2007 in accordance with SFAS 123(R). Pursuant to SEC rules, the amounts reported exclude the impact of estimated forfeitures related to service-based vesting conditions. The assumptions made in calculating the grant date fair value amounts for the options granted in 2004, 2005, 2006, and 2007 are incorporated herein by reference to the discussion of those assumptions in footnote 11 to the Company's financial statements as contained in the Company's Annual Report on Form 10-K filed with the SEC on February 28, 2008. See the Grants of Plan-Based Awards Table for information on options granted in 2007. Note that the amounts reported in this column reflect the Company's accounting cost for these options, and do not correspond to the actual economic value that will be received by the Named Executive Officers from the options. (4) The amounts reported in the Non-Equity Incentive Plan Compensation column represent the amounts earned by the Named Executive Officers for 2007 and, as applicable, 2006 under the Company's annual Management Incentive Plan. With

respect to Mr. LaPenta, (a) the indicated amount reported for 2007 was settled by the issuance of 20,755 shares of the Company's common stock, the distribution of which Mr. LaPenta has deferred on the terms set forth in his employment agreement and (b) the indicated amount reported for 2006 was settled by the grant of a fully vested option to purchase 15,132 shares of the Company's common stock with a five-year term and the issuance of 5,430 shares of the Company's common stock, the distribution of which Mr. LaPenta has deferred on the terms set forth in his employment agreement. With respect to Mr. DePalma, (a) the indicated amount reported for 2007 was settled by the issuance of 11,321 shares of the Company's common stock, the distribution of which Mr. DePalma has deferred on the terms set forth in his employment agreement and (b) the indicated amount reported for 2006 was settled by the grant of a fully vested option to purchase 8,930 shares of the Company's common stock with a five-year term and the issuance of 3,205 shares of the Company's common stock, the distribution of which Mr. LaPenta has deferred on the terms set forth in his employment agreement. With respect to Dr. Atick, the indicated amount reported for 2007 was settled by the grant of a fully vested option to purchase 12,082 shares of the Company's common stock with a five-year term and the payment of \$100,000 in cash. With respect to Mr. Molina, the indicated amount reported for 2007 was settled by the grant of a fully vested option to purchase 6,041 shares of the Company's common stock with a five-year term and the payment of \$105,000 in cash. The amounts reported for 2007 for Mr. Paresi was paid in cash. The Company determined the number of shares to be issued to settle the awards as described above based on, in the case of the fully-vested options, a Black-Scholes valuation model and, in the case of the common stock, the closing sales price per share of the Company's common stock as reported on the NYSE on the date of grant. These amounts were paid in 2008. For a description of this plan, see "Annual Incentive Awards" in the Compensation Discussion and Analysis on page 21 of this proxy statement. (5) The amounts reported in the Non-Equity Incentive Plan column for 2006 represent amounts earned by our CEO and CFO under the Company's annual Management Incentive Plan then in effect. For more details, please refer to the Company's 2007 proxy statement. (6) The amounts reported in the All Other Compensation column represent (i) the aggregate annual Company contributions to the accounts of the Named Executive Officers under the Company's Section 401(k) Retirement Savings Plan, a tax-qualified defined contribution plan, and (ii) additional premiums paid for executive life and disability insurance. (7) For purposes of comparing 2006 and 2007 compensation, please note that our CEO and CFO commenced employment with the Company on August 29, 2006 and accordingly their reported 2006 compensation covers only four calendar months.

Grants of Plan-Based Awards Table for 2007

The following table sets forth information regarding grants of plan-based awards made to the Named Executive Officers in 2007 under any plan.

Name	Grant	Date	Estimated	Possible Payouts	Under	Non-Equity	Incentive	Plan Awards(1)	All Other	
Stock Awards:										
Number of										
Shares of Stock										
or Units										
(#)										
All Other										
Option										
Awards:										
Number of										
Securities										
Underlying										
Options										
(#)										
Exercise										
or Base										
Price of										
Option										
Awards										
(\$/Sh)(2)										
Grant Date										
Fair Value of										
Stock and										
Option Awards										
(\$)(3)										
Target										
(\$)										
Maximum										
	Robert V. LaPenta			308,000	385,000				4/3/07	5,430
\$ 91,500	4/3/07			15,132	16.85	91,500	5/9/07			100,000 20.01
1,227,770	10/30/07			170,000	18.00	1,784,133	11/2/07			30,000
18.46	322,893	James A. DePalma		170,750	213,437				4/3/07	3,205
\$ 54,000	4/3/07			8,930	16.85	54,000	5/9/07			60,000
20.01	736,662	10/30/07		60,000	18.00	629,694	11/2/07			15,000
18.46	161,447	Joseph Atick		200,000	250,000				4/3/07	8,269
16.85	\$ 50,003	5/9/07		50,000	20.01	613,885	10/30/07			20,000
18.00	209,898	Mark S. Molina		149,100	186,375				4/3/07	4,135
16.85	\$ 25,005	5/9/07		30,000	20.01	368,331	10/30/07			50,000
18.00	524,745	Joseph S. Paresi		145,750	182,187				4/3/07	7,607

16.85	\$ 46,000	5/9/07	40,000	20.01	491,108	10/30/07	10,000
18.00	104,949	11/2/07	10,000	18.46	107,631		

(1) This

column shows the target and maximum annual incentive award opportunity for each of the Named Executive Officers under the 2007 Management Incentive Plan. The 2007 Management Incentive Plan does not provide a minimum guaranteed bonus payment. In each case, the target award was 50% of base salary earned for the year as provided by Named Executive Officer's employment agreement. The actual amounts paid to the Named Executive Officers under the 2007 Management Incentive Plan are as follows: Robert V. LaPenta — \$275,000, James A. DePalma — \$150,000, Joseph Atick — \$150,000, Mark S. Molina — \$130,000, and Joseph Paresi — \$100,203. Since we made adjustments to base salaries effective August 29, 2007, the target awards shown were pro-rated to reflect eight months at the prior salary level and four months at the new salary levels. (2) This column shows the exercise price for the stock options granted in 2007, which, in the case of all such option grants, was equal to the closing market price per share of the Company's common stock on the grant date. (3) For information on the assumptions that were used in calculating these amounts, see Notes 2 and 3 to the Summary Compensation Table on page 28 of this proxy statement.

Narrative to Summary Compensation Table and Grants of Plan-Based Awards Table

The Company has an employment agreement covering one or more compensation items with each of the Named Executive Officers. These agreements were entered into in connection with the merger of Viisage and Identix in August 2006, to ensure the retention of these individuals' services with the combined company following the transaction. The material terms of these agreements are as follows:

Mr. LaPenta:

1.

Term. Three years, with automatic one-year extensions unless either party gives advance notice of its intention not to renew the agreement.

2.

Compensation and Benefits. During the term of the agreement, Mr. LaPenta is eligible to receive the following compensation:

a. Base Salary. An initial base salary of \$550,000, which may be increased (but not decreased) by the Board of Directors in its discretion. As of December 31, 2007, Mr. LaPenta's annual base salary was \$750,000.

b. Bonus. An annual performance-based bonus with a target payout equal to 50% of his base salary, with the actual payout (which can be more or less than target) determined by the Board of Directors in its discretion. This amount is payable in cash or, in the Company's discretion, in shares of the Company's common stock. If paid in stock, Mr. LaPenta may defer the receipt of such shares.

c. Additional

Benefits. Participation in the Company's health, welfare, and fringe benefit programs for management employees, and reimbursement of all reasonable expenses incurred by him in his performance of services on behalf of the Company, including reimbursement of up to \$50,000 per year for use of his private aircraft for Company-related business travel.

d. Stock

Options. An initial stock option for 315,000 shares of the Company's common stock with a four-year vesting schedule. Subsequent option grants are at the discretion of the Board of Directors.

3.

Termination. Under specified circumstances, Mr. LaPenta or the Company may terminate his employment prior to the end of the term of the agreement. These circumstances, and any payments and benefits triggered by the termination, are described under Potential Payments Upon Termination or Change in Control on pages 35 to 44 of this proxy statement.

4. Additional

Provisions. In addition to serving as Chairman, President, and Chief Executive Officer, and President of the Company, Mr. LaPenta is permitted to continue to oversee the Aston Capital Partners L.P. investment fund and his investment in Core Software Technology Corporation.

Mr. DePalma:

1.

Term. Three years, with automatic one-year extensions unless either party gives advance notice of its intention not to renew the agreement.

2.

Compensation and Benefits. During the term of the agreement, Mr. DePalma is eligible to receive the following

compensation:

a. Base Salary. An initial base salary of \$325,000, which may be increased (but not decreased) by the Board of Directors in its discretion. As of December 31, 2007, Mr. DePalma's annual base salary was \$375,000.

b. Bonus. An annual performance-based bonus with a target payout equal to 50% of his base salary, with the actual payout (which can be more or less than target) determined by the Board of Directors in its discretion. This amount is payable in cash or, in the Company's discretion, in shares of the Company's common stock. If paid in stock, Mr. DePalma may defer the receipt of such shares.

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c.

Additional Benefits. Participation in the Company's health, welfare, and fringe benefit programs for management employees.

d. Stock Options. An initial stock option for 180,000 shares of the Company's common stock with a four-year vesting schedule. Subsequent option grants are at the discretion of the Board of Directors.

3.

Termination. Under specified circumstances, Mr. DePalma or the Company may terminate his employment prior to the end of the term of the agreement. These circumstances, and any payments and benefits triggered by the termination, are described under Potential Payments Upon Termination or Change in Control on pages 35 to 44 of this proxy statement.

4. Additional

Provisions. In addition to serving as Chief Financial Officer, Mr. DePalma is permitted to continue to oversee the Aston Capital Partners L.P. investment fund and his investment in Core Software Technology Corporation.

Dr. Atick:

1.

Term. Three years, with automatic one-year extensions unless either party gives advance notice of its intention not to renew the agreement.

2.

Compensation and Benefits. During the term of the agreement, Dr. Atick is eligible to receive the following compensation:

a. Base Salary. An initial base salary of \$400,000, which may be increased by the Company's Compensation Committee in its discretion. As of December 31, 2007, Dr. Atick's annual base salary was \$400,000.

b. Bonus. An annual performance-based bonus with a target payout equal to 50% of his base salary, with the actual payout (which can be more or less than target) determined by the CEO in conjunction with the Compensation Committee and/or the Board of Directors.

c. Additional

Benefits. Participation in such Company's benefit plans as are generally available to the Company's executives.

d. Stock

Options. An initial stock option for 200,000 shares of the Company's common stock with a four-year vesting schedule. Subsequent option grants are subject to the discretion of the Company's Compensation Committee, which will determine whether or not to recommend such additional grants to the Board of Directors.

3.

Termination. Under specified circumstances, Dr. Atick or the Company may terminate his employment prior to the end of the term of the agreement. These circumstances, and any payments and benefits triggered by the termination, are described under Potential Payments Upon Termination or Change in Control on pages 35 to 44 of this proxy statement.

Mr. Molina:

1.

Term. Three years, with automatic one-year extensions unless either party gives advance notice of its intention not to renew the agreement.

2.

Compensation and Benefits. During the term of the agreement, Mr. Molina is eligible to receive the following compensation:

a. Base Salary. An initial base salary of \$285,000, which may be increased by the CEO and the Board of Directors in their discretion. As of December 31, 2007, Mr. Molina's annual base salary was \$325,000.

b. Bonus. An annual performance-based bonus with a target payout equal to 50% of his base salary, with the actual payout (which can be more or less than target) determined by the CEO in conjunction with the Compensation Committee and/or the Board of Directors.

c. Additional Benefits. Participation in such Company's benefit plans as are generally available to the Company's executives or employees.

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d. Stock Options. An initial stock option for 150,000 shares of the Company's common stock with a four-year vesting schedule. Subsequent option grants are at the discretion of the CEO and the Board of Directors.

3. Termination. Under specified circumstances, Mr. Molina or the Company may terminate his employment prior to the end of the term of the agreement. These circumstances, and any payments and benefits triggered by the termination, are described under Potential Payments Upon Termination or Change in Control on pages 35 to 44 of this proxy statement.

Mr. Paresi:

1. Term. Three years, with automatic one-year extensions unless either party gives advance notice of its intention not to renew the agreement.

2. Compensation and Benefits. During the term of the agreement, Mr. Paresi is eligible to receive the following compensation:

a. Base Salary. An initial base salary of \$225,000, which may be increased (but not decreased) by the Board of Directors in its discretion. As of December 31, 2007, Mr. Paresi's annual base salary was \$325,000.

b. Bonus. An annual performance-based bonus with a target payout equal to 50% of his base salary, with the actual payout (which can be more or less than target) determined by the Board of Directors in its discretion. This amount is payable in cash or, in the Company's discretion, in shares of the Company's common stock. If paid in stock, he may defer the receipt of such shares.

c. Additional Benefits. Participation in the Company's health, welfare, and fringe benefit programs for management employees.

d. Stock Options. An initial stock option for 117,000 shares of the Company's common stock with a four-year vesting schedule. Subsequent option grants are at the discretion of the Board of Directors.

3. Termination. Under specified circumstances, Mr. Paresi or the Company may terminate his employment prior to the end of the term of the agreement. These circumstances, and any payments and benefits triggered by the termination, are described under Potential Payments Upon Termination or Change in Control on pages 35 to 44 of this proxy statement.

4. Additional Provisions. In addition to serving as Chief Sales and Marketing Officer and Executive Vice President of the Company, Mr. Paresi is permitted to continue to oversee the Aston Capital Partners L.P. investment fund.

Outstanding Equity Awards at Fiscal Year-End Table for 2007

The following table sets forth information concerning outstanding unexercised options held by each of the Named Executive Officers as of December 31, 2007.

Option Awards Name	Number of Securities	Underlying Unexercised Options (#)	Exercisable	Number of Securities	Underlying Unexercised Options (#)	Unexercisable	Option Exercise	Price (\$)	Option Expiration															
Date Robert V. LaPenta	7/21/06	2,500	—	16.14	7/21/16	8/29/06	78,750	236,250																
(1)	14.55	8/29/16	4/3/07	15,132	(2)	—	16.85	4/3/12	5/9/07	—	100,000	(1)	20.01	5/9/17										
10/30/07	—	170,000	(1)	18.00	10/30/17	11/2/07	—	30,000	(1)	18.46	11/2/17	James A. DePalma	8/29/06	45,000	135,000	(1)	14.55	8/29/16	4/3/07	8,930	(2)	—	16.85	4/3/12
5/9/07	—	60,000	(1)	20.01	5/9/17	10/30/07	—	60,000	(1)	18.00	10/30/17	11/2/07	—	15,000										
(1)	18.46	11/2/17	Joseph Atick(3)	10/24/01	95,238	—	20.78	10/24/11	6/25/02															
212,850	—	13.09	6/25/12	4/23/03	42,570	—	10.02	4/23/13	4/28/04	7,007	—	14.27	4/28/14											
4/28/04	30,832	—	14.27	4/28/14	1/26/05	8,183	—	12.22	1/26/15	1/26/05	58,036	—	12.22											
1/26/15	8/29/06	6,702	20,106	(1)	14.55	8/29/16	8/29/06	43,298	129,894	(1)	14.55	8/29/16												
4/3/07	8,269	(2)	—	16.85	4/3/17	5/9/07	—	50,000	(1)	20.01	5/9/17	10/30/07	—	20,000	(1)									
18.00	10/30/17	Mark S. Molina(3)	10/5/99	23,650	—	17.71	10/5/09	4/27/00	3,179															
—	29.60	4/27/10	4/27/00	8,645	—	29.60	4/27/10	7/27/00	35	—	29.73	7/27/10	7/27/00											
35,439	—	29.73	7/27/10	7/26/01	5,912	—	10.04	7/26/11	7/26/01	17,737	—	10.04	7/26/11											
6/25/02	33,110	—	13.09	6/25/12	4/23/03	14,190	—	10.02	4/23/13	2/4/04	28,380	—	11.14											
2/4/14	5/13/04	3,049	—	13.32	5/13/14	5/13/04	53,710	—	13.32	5/13/14	1/26/05	2,365	—											
12.22	1/26/15	1/26/05	7,095	—	12.22	1/26/15																		

Option Awards Name	Number of Securities	Underlying	Unexercised Options (#)	Exercisable	Number of Securities	Underlying	Unexercised Options (#)	Unexercisable	Option Exercise Price (\$)	Option Expiration
Date	8/29/06	6,702	20,106 (1)	14.55	8/29/16	8/29/06	30,798	92,394 (1)	14.55	8/29/16
	4,135 (2)	—	16.85	4/3/12	5/9/07	—	30,000 (1)	20.01	5/9/17	10/30/07
	10/30/17	Joseph S. Paresi		8/29/06	29,250	87,750 (1)	14.55	8/29/16	4/3/07	7,607
(2)	—	16.85	4/3/12	5/9/07	—	40,000 (1)	20.01	5/9/17	10/30/07	—
	10/30/17	11/2/07	—	10,000 (1)	18.46	11/2/17				

(1) These options vest (become exercisable) in four equal annual installments, beginning on the first anniversary of the date of grant. (2) These options were granted in connection with the settlement of award payouts under the 2006 Management Incentive Plan. (3) Grant dates prior to August 29, 2006 for Dr. Atick and Mr. Molina represent option awards attributable to such executive's service with Identix prior to the merger of Viisage and Identix. These option awards are fully exercisable as a result of accelerated vesting triggered by the merger. The Company assumed these options in the merger.

Option Exercises and Stock Vested Table for 2007

None of our Named Executive Officers exercised options to purchase our common stock or held restricted stock awards subject to vesting during 2007.

Pension Benefits Table for 2007

The Company does not sponsor any defined benefit pension plans for its employees, including the Named Executive Officers.

Nonqualified Deferred Compensation Table for 2007

The Company does not maintain any nonqualified deferred compensation plan for its employees, including the Named Executive Officers. However, the Company permits our CEO and CFO to defer the receipt of their annual incentive award payouts per the terms of their employment agreements.

The following table sets forth information concerning the nonqualified deferred compensation plans and arrangements of the Named Executive Officers as of December 31, 2007.

Name	Plan	Executive	Contributions	Company's	Contributions	Aggregate	Earnings(1)	Aggregate	Balance	Robert V. LaPenta	Election to Defer	Annual
Incentive Award	\$ 91,500	\$ —	\$ 5,969	\$ 97,469	James A. DePalma	Election to Defer	Annual					
Incentive Award	\$ 54,000	\$ —	\$ 3,530	\$ 57,530								

(1) The

amounts in this column represent the increase in the fair market value of the shares underlying the deferred compensation.

Potential Payments Following Termination or Change in Control

Under the Company's employment agreements with Messrs. LaPenta, DePalma, Atick, Molina and Paresi, each of the Named Executive Officers is entitled to payment and benefits upon his termination of employment for specified reasons and in the event of a change in control of the Company. The information below describes and quantifies certain compensation that would be payable to these individuals under the arrangements assuming that the Named Executive Officer's employment had terminated on December 31, 2007, given the individual's compensation as of that date. These benefits are in addition to the benefits generally available to the Company's salaried employees.

Messrs. LaPenta, DePalma, and Paresi:

Termination of Employment. The executive's employment may be terminated at any time:

- by a majority vote of the independent members of the Company's Board of Directors with Cause (as defined) or without Cause;
- in the event of the death or disability of the executive; or
- by the executive's resignation for Good Reason (as defined) or for no reason.

Termination with Cause or without Good Reason. If the executive's employment is terminated by the Company with Cause or by the executive without Good Reason, the executive will receive the following payments and benefits (any amounts payable under this section will be paid within five business days of the termination date):

- payments of base salary, any awarded but unpaid annual incentive award for any prior completed fiscal year, and expense reimbursement that had accrued but had not been paid prior to the date of termination;
- payments for any accrued but unused vacation time; and
- any benefits due through the date of termination as provided under the Company's compensation or benefit plans.

Generally, "Cause" means the executive's (i) willful and continued failure to substantially perform his reasonably assigned duties as an officer of the Company or otherwise perform his obligations under his employment agreement (following a 30-day cure period after receipt of notification of nonperformance); (ii) willful and continued breach of the Company's Board-approved material corporate policies (following a 30-day cure period after receipt of notification of the breach); (iii) willful engagement in illegal conduct or gross misconduct which is materially injurious to the Company; (iv) willful violation of any federal or state securities laws or the Company's Trading Policy; or (v) material breach of certain provisions of his employment agreement (following a 30-day cure period after receipt of notification of the breach).

Generally, "Good Reason" means any of the following events or circumstances that occur without the executive's written consent (following a 30-day cure period after receipt of notification of the event or circumstance):

- a material change in the executive's duties, a material diminution in the executive's position, authority, title, or responsibilities or any change in reporting relationship, or a relocation of his principal base of operations to more than 25 miles from Stamford, Connecticut;

base salary or target annual incentive award;

- a reduction in his
- the Company's

failure to maintain a material compensation or benefit plan in which he participates (unless a substitute or alternative plan is made available), continue the executive's participation in these plans on a basis that is materially equal to his current participation, obtain comparable compensation and benefits and termination arrangements from a successor to the Company, to pay compensation and benefit amounts within seven days of the date such compensation or benefits are due, or any other material breach of the employment agreement.

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Termination without Cause or Resignation for Good Reason. If the executive's employment is terminated by the Company without Cause or if the executive resigns with Good Reason, the executive will receive the following payments and benefits:

- the payments and benefits described in the section concerning termination with Cause or without Good Reason;
- accelerated vesting of all outstanding but unvested service-based stock options, which will remain exercisable for a period of three years after the termination;
- a payment equal to the annual incentive award payout to the executive for the last completed fiscal year pro rated for the portion of the current fiscal year that the executive was employed; and
- until the earlier of either 12 months following the date of termination or the end of the current term of the employment agreement, a payment equal to (i) the executive's base salary at the rate in effect at the date of termination and (ii) the annual incentive award payout to the executive for the last completed fiscal year (calculated on a pro rated basis if the severance period is less than 12 months) (the "Severance Payment"). During this period, the executive is also to receive continued coverage under the Company's then-existing medical and dental benefit plans. If the executive is not permitted by the terms of the plans or applicable law to continue participation in these plans, the Company will provide the executive with commensurate insurance coverage at its expense.

One-half of the Severance Payment is to be paid within five business days of the termination, with remaining one-half to be paid within six months of the termination date.

Death or Disability. If the executive's employment is terminated as a result of his death or disability, he (or his representatives) will receive all of the payments and benefits described in the section concerning termination without Cause or resignation for Good Reason, except that no Severance Payment or continuing medical and dental coverage is required.

Change in Control. In the event of a Change in Control of the Company during the term of the employment agreement, where the executive's employment is subsequently terminated and the executive can reasonably demonstrate that the termination was at the request of a third party who has taken steps reasonably calculated to effect a change in control or otherwise arose in anticipation of or as a result of a change in control, the executive will receive all of the payments and benefits described in the section concerning termination without Cause and resignation for Good Reason, except that the pre- and post-termination payments that are based on the annual incentive award payout are to be based on the target amount in effect on the date of termination.

Generally, a "Change in Control" means:

- an acquisition of 50% or more of (i) the then-outstanding common stock or (ii) the combined voting power of the then-outstanding securities entitled to vote for directors by any person (but not including a restructuring or recapitalization by the Company or an acquisition by a Company-sponsored employee benefit plan);
- a time when the continuing directors (that is, the directors who were serving when the employment agreement was executed or their duly recommended or endorsed successors) do not constitute a majority of the Board of Directors;
- a business combination (such as a merger, consolidation, reorganization, or sale of all or substantially all of the Company's

assets), unless, following the business combination, the beneficial owners of the Company's securities continue to beneficially own a majority of the outstanding securities of the resulting entity and this ownership is substantially in the same proportion as their ownership before the transaction; and

- approval by the

Company's stockholders of a complete liquidation or dissolution of the Company.

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Tax Reimbursement Arrangements. In the event that any payment or benefit received or to be received by the executive with respect to any equity-based award, bonus or other incentive award payout, or any severance or other plan or arrangement or agreement would be subject to the “golden parachute” excise tax imposed by the federal income tax laws, the Company will pay the executive the additional amount necessary to ensure that the net amount retained by the executive, after deduction of all excise taxes and all taxes on the excise tax payment, as well as any interest, penalties or additions to tax payable by the executive, will be equal to the total present value of the payments intended to be made to the executive at the time these payments are made.

Conditions to Payment. The payments and benefits provided in the event of a termination of employment without Cause or resignation for Good Reason or following a Change in Control of the Company are contingent upon the executive executing a general release in favor of the Company. In addition, the Company’s obligation to pay any premiums for medical or dental insurance benefits will cease if the executive becomes eligible to receive similar benefits from another employer.

Executive Covenants. As provided in their employment agreements, Messrs. LaPenta, DePalma and Paresi are subject to (i) confidentiality provisions that prohibit them from disclosing any confidential information of the Company, except in the course of performing their duties for the Company or as required by law, (ii) certain post-employment restrictions on the development of intellectual property rights, during the six-month period following termination and (iii) non-competition provisions that prohibit them, during their employment and for a one-year period following termination of employment, from operating or participating in a business that competes with the Company and from soliciting any of the Company’s employees or customers.

If an executive materially breaches his obligations with respect to the Company’s intellectual property rights or the non-competition provision, the Company may, following a 30-day notice and cure period, cease any Severance Payments made to the executive and recover all prior Severance Payments made to the executive. The Company may also pursue any other legal remedies to rectify the breach.

Dr. Atick

Termination of Employment. Dr. Atick’s employment may be terminated at any time:

- by the Company for Cause (as defined) or without Cause;
- in the event of his death or disability; or
- upon his resignation for Good Reason (as defined) or for no reason (defined as a Voluntary Termination).

Termination for Cause or Voluntary Termination. Upon termination for Cause or a Voluntary Termination, Dr. Atick will be paid:

- all accrued but unpaid base salary to the effective date of termination,
- any benefits due through the date of termination as required by law or to the extent required under the Company’s benefit plans and any reimbursement of expenses incurred as of the effective date of termination in accordance with Company policy.

Generally, “Cause” means Dr. Atick’s (i) conviction (by a court of competent jurisdiction, not subject to further appeal) of, or pleading guilty to, a felony or a crime involving fraud or dishonesty against the Company; (ii) willful and continued failure to substantially perform his duties for the Company (following a 30-day cure period after receipt of notification of the breach); or (iii) breach of his employment agreement (following a 30-day cure period after receipt of notification of the breach).

Termination Other Than For Cause; Resignation for Good Reason or Failure to Renew Employment Agreement. If Dr. Atick’s employment is terminated by the Company without Cause or if he resigns following: (i) any change in Dr. Atick’s duties, responsibilities or title that is materially adverse and inconsistent with his position (including any change in his duty to report to the CEO); (ii) a decrease in Dr. Atick’s base salary or eligible bonus percentage of base salary or a decrease in the

Company's benefits (other than changes made to the Company's benefits plans generally made available to Company employees or executives); (iii) an involuntary relocation of his principal place of duties to a place other than Jersey City, New Jersey or New York, New York (or within three miles of Jersey City, New Jersey); (iv) the Company's giving notice of termination of Dr. Atick's employment other than as permitted under his employment agreement; (v) the Company's failure to cause any successor to the Company to expressly assume and agree to perform under the employment agreement; (vi) Change in Control (as defined) followed by a resignation within 18 months after the Change in Control; or (vii) the then current term of Dr. Atick's employment agreement is not automatically renewed, then Dr. Atick will be paid:

• all
accrued but unpaid base salary and bonus to the effective date of termination (and, in the case of (vii), all accrued but unpaid vacation pay);

• his then-current
base salary for a period of 24 months (or, in the case of (vii), for a period of 24 months subject to a shorter period in connection with full-time employment);

• his then-current
benefit coverage and premium contributions for a period of 12 months (and, in the case of (vii), for a period of 12 months subject to a shorter period if provided by a successor employer); and

• immediate and full
vesting of all outstanding and unvested stock options and other stock-based awards, which will remain exercisable for a period of 18 months after the termination (or, in the case of (vii), for a period of 18 months subject to a shorter period in connection with full-time employment).

Change in Control. If a Change in Control occurs when there are less than 12 months remaining in the term of his employment agreement, then Dr. Atick's employment agreement will be automatically extended to the first anniversary of the Change in Control.

Generally, a "Change in Control" means:

• if any
person is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities;

• the election to a
majority of the seats of the Board of Directors of the Company of candidates who were not proposed by a majority of the Board of Directors in office prior to the time of such election; or

• the dissolution or
liquidation (partial or total) of the Company or a sale of assets involving fifty percent (50%) or more of the assets of the Company and its subsidiaries taken as a whole (other than the disposition of a subsidiary), or a merger, reorganization or other transaction or series of related transactions pursuant to which the holders, as a group, of all of the shares of the Company outstanding after the merger, reorganization or other transaction hold, as a group, less than fifty percent (50%) of the shares of the Company outstanding after the merger, reorganization or other transaction.

Death or Disability. If Dr. Atick's employment is terminated as a result of his death or disability, he (or his heirs or legal representatives in case of death) will receive:

• all
accrued but unpaid base salary and bonus to the effective date of termination

• immediate and full

vesting of all outstanding and unvested stock options and other stock-based awards

generally made available to Company employees for death or disability under the Company's then existing benefits plans

- any other benefits

Mr. Molina

Termination of Employment. Mr. Molina's employment may be terminated at any time:

Company for Cause (as defined) or without Cause;

- by the

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event of his death or disability; or
for Good Reason (as defined) or for no reason (defined as a Voluntary Termination).

- in the
- upon his resignation

Termination for Cause and Voluntary Termination. Upon termination for Cause or Voluntary Termination, Mr. Molina will be paid:

- all

accrued but unpaid base salary, and all accrued but unpaid vacation pay to the effective date of termination,
through the date of termination to the extent required under the Company's benefit plans or any reimbursement of expenses incurred as of the effective date of termination in accordance with the Company policy.

- any benefits due

Generally, "Cause" means Mr. Molina's (i) commission of, conviction (by a court of competent jurisdiction, not subject to further appeal) of, or pleading guilty to, a felony or a crime or other material conduct or misconduct involving fraud or moral turpitude; (ii) willful and continued failure to substantially perform his duties for the Company (following a 60-day cure period after receipt of notification of the breach); (iii) if Mr. Molina willfully engages in gross misconduct which is materially and demonstrably injurious to the Company; or (iv) willful breach of his employment agreement in any material respect (following a 30-day cure period after receipt of notification of the breach).

Termination Other Than For Cause; Resignation for Good Reason or Failure to Renew Employment Agreement. If Mr. Molina's employment is terminated by the Company without Cause or if he resigns following: (i) any change in Mr. Molina's authority, duties and responsibilities that is materially adverse and inconsistent with his position; (ii) any change in the reporting structure of the Company, such that Mr. Molina no longer reports to the CEO; (iii) an adverse change in Mr. Molina's title; (iv) a decrease in Mr. Molina's base salary or eligible bonus percentage of base salary or a decrease in the Company's benefits (other than changes made to the Company's benefits plans generally made available to Company employees or executives); (v) an involuntary relocation to a new location that is more than twenty five miles from Stamford, Connecticut; (vi) the Company's failure to cause any successor to the Company to expressly assume and agree to perform under the employment agreement in the event of Change in Control or; (vii) the then current term of Mr. Molina's employment agreement is not automatically renewed, then Mr. Molina will be paid:

- all

accrued but unpaid base salary and bonus to the effective date of termination and all accrued but unpaid vacation pay;
then-current base salary for a period of 24 months (or, in the case of (vii), for a period of 24 months subject to a shorter period in connection with full-time employment);

- his
- his then-current

benefit coverage and premium contributions for a period of 12 months (or less, if provided by a successor employer);
and
immediate and full vesting of all outstanding and unvested stock options and other stock-based awards, which will remain exercisable for a period of 18 months after the termination.

Change in Control. If a Change in Control occurs when there are less than 12 months remaining in the term of his employment agreement, then Mr. Molina's employment agreement will be automatically extended to the first anniversary of the Change in Control.

Generally, a "Change in Control" means:

person is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities;

- if any
- the election to a majority of the seats of the Board of Directors of the Company of candidates who were not proposed by a majority of the Board of Directors in office prior to the time of such election; or

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• the dissolution or liquidation (partial or total) of the Company or a sale of assets involving fifty percent (50%) or more of the assets of the Company and its subsidiaries taken as a whole (other than the disposition of a subsidiary), or a merger, reorganization or other transaction or series of related transactions pursuant to which the holders, as a group, of all of the shares of the Company outstanding after the merger, reorganization or other transaction hold, as a group, less than fifty percent (50%) of the shares of the Company outstanding after the merger, reorganization or other transaction.

Death or Disability. Pursuant to Mr. Molina’s employment agreement, termination of his employment due to death or disability is equivalent to a “Termination Other Than for Cause”, and will entitle him to the same benefits listed above under “Termination Other Than for Cause”.

The following tables set forth the potential (estimated) payments and benefits to which the Named Executive Officers would be entitled upon termination of employment or following a change in control of the Company, as specified under their employment agreements with the Company.

Potential Payments and Benefits Upon a Termination of Employment or a Change in Control of the Company for Mr. LaPenta

Executive Payments and Benefits(1)	Termination without Cause or Resignation for Good Reason(2)	Death or Disability(2)	Following Change in Control of the Company(2)(6)	Accelerated vesting: Stock options(3)	\$ 803,250	\$ 803,250	\$ 803,250
Payment for annual incentive award (pro rated)	275,000	275,000	275,000	Severance payment(4)	1,025,000	0	1,025,000
Continued medical and dental coverage	13,725	0	13,725	Tax reimbursement amounts(5)	0	0	808,993
TOTAL:	\$ 2,116,975	\$ 1,078,250	\$ 2,925,968				

(1) For purposes of this analysis, we have assumed the executive’s compensation is as follows: current base salary equal to \$750,000, a targeted annual incentive award opportunity equal to 50% of his base salary, and outstanding stock option awards as reflected in the Grants of Plan-Based Awards Table for 2007, on page 29 of this proxy statement. (2) Assumes the executive’s date of termination of employment was December 31, 2007 and that the market price of the Company’s common stock on December 31, 2007 (the last trading date of the fiscal year) was \$17.95 per share. (3) Under the Company’s stock incentive plan, the Board has the discretion to determine whether the vesting of all outstanding unvested stock options is accelerated upon a change-in-control of the Company. For the purposes of this analysis we have assumed that the Board of Directors has elected to accelerate vesting upon a change-in-control of the Company. In addition to accelerated vesting, in the event that Mr. LaPenta’s employment is terminated following a change in control of the Company all outstanding stock options will remain exercisable for a period of three years from the date of termination of employment. This extension of the post-termination exercise period has not been separately valued for purposes of this disclosure. (4) Mr. LaPenta is entitled to a bonus payment for the Severance Period equal to the bonus awarded for the most recent completed year, subject to pro rata adjustment if the Severance period is less than 12 months. Therefore, the amount shown for Severance includes 12 months base salary (\$750,000) plus a bonus payment for 12 months (\$275,000). Fifty percent of this payment is to be made at the time of termination of employment, with the remaining 50% to be paid within six months of the termination date. (5) The amounts reflected in this table assume that an excise tax would be applicable under Section 280G of the Internal Revenue Code

of 1986, as amended. If an excise tax is applicable, Mr. LaPenta is entitled to a gross-up payment under the terms of his employment agreement. (6) Assumes a termination of employment without Cause or for Good Reason (each as defined in the employment agreement).

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Potential Payments and Benefits Upon a Termination of Employment or a Change in Control of the Company for Mr. DePalma

Executive Payments and Benefits(1) Termination without Cause or Resignation for Good Reason(2) Death or Disability(2) Following Change in Control of the Company(2)(6) Accelerated vesting:							
				Stock options(3)	\$ 459,000	\$ 459,000	\$ 459,000
Payment for annual incentive award (pro rated)	150,000	150,000	150,000	Severance payment(4)			
525,000	0	525,000	Continued medical and dental coverage	13,725	0	13,725	Tax reimbursement amounts(5)
0	0	410,972	TOTAL:	\$ 1,147,725	\$ 609,000	\$ 1,558,697	

(1) For purposes of this analysis, we have assumed the executive's compensation is as follows: current base salary equal to \$375,000, a targeted annual incentive award opportunity equal to 50% of his base salary, and outstanding stock option awards as reflected in the Grants of Plan-Based Awards Table for 2007 on page 29 of this proxy statement. (2) Assumes the executive's date of termination of employment was December 31, 2007 and that the market price of the Company's common stock on December 31, 2007 (the last trading date of the fiscal year) was 17.95 per share. (3) Under the Company's stock incentive plan, the Board has the discretion to determine whether the vesting of all outstanding unvested stock options is accelerated upon a change-in-control of the Company. For the purposes of this analysis we have assumed that the Board of Directors has elected to accelerate vesting upon a change-in-control of the Company. In addition to accelerated vesting, in the event that Mr. DePalma employment is terminated following a change in control of the Company all outstanding stock options will remain exercisable for a period of three years from the date of termination of employment. This extension of the post-termination exercise period has not been separately valued for purposes of this disclosure. (4) Mr. DePalma is entitled to a bonus payment for the Severance Period equal to the bonus awarded for the most recent completed year, subject to pro rata adjustment if the Severance period is less than 12 months. Therefore, the amount shown for Severance includes 12 months base salary (\$375,000) plus a bonus payment for 12 months (\$150,000). Fifty percent of this payment is to be made at the time of termination of employment, with the remaining 50% to be paid within six months of the termination date. (5) The amounts reflected in this table assume that an excise tax would be applicable under Section 280G of the Internal Revenue Code of 1986, as amended. If an excise tax is applicable, Mr. DePalma is entitled to a gross-up payment under the terms of his employment agreement. (6) Assumes a termination of employment without Cause or for Good Reason (each as defined in the employment agreement).

Potential Payments and Benefits Upon a Termination of Employment
or a Change in Control of the Company for Mr. Paresi

Executive Payments and Benefits(1) Termination without Cause or Resignation for Good Reason(2) Death or Disability(2) Following Change in Control of the Company(2)(6) Accelerated vesting:							
				Stock options(3)	\$ 298,350	\$ 298,350	\$ 298,350
Payment for annual incentive award (pro rated)	100,203	100,203	100,203	Severance payment(4)			
425,203	0	425,203	Continued medical and dental coverage	17,427	0	17,427	Tax reimbursement amounts(5)
0	0	292,685	TOTAL:	\$ 841,183	\$ 398,553	\$ 1,133,868	

(1) For purposes of this analysis, we have assumed the executive's compensation is as follows: current base salary equal to \$325,000, a targeted annual incentive award opportunity equal to 50% of his base salary, and outstanding stock option awards as reflected in the Grants of Plan-Based Awards Table for 2007 on page 29 of this proxy statement. (2) Assumes the executive's date of termination of employment was December 31, 2007 and that the market price of the Company's common stock on December 31, 2007 (the last trading date of the fiscal year) was 17.95 per share. (3) Under the Company's stock incentive plan, the Board has the discretion to determine whether the vesting of all outstanding unvested stock options is accelerated upon a change-in-control of the Company. For the purposes of this analysis we have assumed that the Board of Directors has elected to accelerate vesting upon a change-in-control of the Company. In addition to accelerated vesting, in the event that Mr. Paresi employment is terminated following a change in control of the Company all outstanding stock options will remain exercisable for a period of three years from the date of termination of employment. This extension of the post-termination exercise period has not been separately valued for purposes of this disclosure. (4) Mr. Paresi is entitled to a bonus payment for the Severance Period equal to the bonus awarded for the most recent completed year, subject to pro rata adjustment if the Severance period is less than 12 months. Therefore, the amount shown for Severance includes 12 months base salary (\$325,000) plus a bonus payment for 12 months (\$100,203). Fifty percent of this payment is to be made at the time of termination of employment, with the remaining 50% to be paid within six months of the termination date. (5) The amounts reflected in this table assume that an excise tax would be applicable under Section 280G of the Internal Revenue Code of 1986, as amended. If an excise tax is applicable, Mr. Paresi is entitled to a gross-up payment under the terms of his employment agreement. (6) Assumes a termination of employment without Cause or for Good Reason (each as defined in the employment agreement).

Potential Payments and Benefits Upon a Termination of Employment
or a Change in Control of the Company for Dr. Atick

Executive Payments and Benefits(1) Termination without									
Cause or Resignation									
for Good Reason(2) Death or									
Disability(2) Following									
Change in Control									
of the Company(2) Accelerated vesting:									
				Stock options(3)	\$ 510,000	\$ 510,000	\$ 510,000		
Payment for annual incentive award									
(pro rated)	150,000	150,000	150,000	Severance payment(4)	800,000	0	800,000	Continued	
medical and dental coverage	6,670	0	6,670	Tax reimbursement amounts(5)	0	0	603,546		
TOTAL:	\$ 1,466,670	\$ 660,000	\$ 2,070,216						

(1) For purposes of this analysis, we have assumed the executive's compensation is as follows: current base salary equal to \$400,000, a targeted annual incentive award opportunity equal to 50% of his base salary, and outstanding stock option awards as reflected in the Grants of Plan-Based Awards Table for 2007 on page 29 of this proxy statement. (2) Assumes the executive's date of termination of employment was December 31, 2007 and that the market price of the Company's common stock on December 31, 2007 (the last trading date of the fiscal year) was 17.95 per share. (3) Under the Company's stock incentive plan, the Board has the discretion to determine whether the vesting of all outstanding unvested stock options is accelerated upon a change-in-control of the Company. For the purposes of this analysis we have assumed that the Board of Directors has elected to accelerate vesting upon a change-in-control of the Company. In addition to accelerated vesting, in the event that Dr. Atick employment is terminated without Cause upon a Resignation for Good Reason (each as defined in the employment agreement) all outstanding stock options will remain exercisable for a period of 18 months from the date of termination of employment. This extension of the post-termination exercise period has not been separately valued for purposes of this disclosure. (4) The amount shown for Severance includes 24 months base salary (\$800,000). Fifty percent of this payment is to be made at the time of termination of employment, with the remaining 50% to be paid within six months of the termination date. (5) The amounts reflected in this table assume that an excise tax would be applicable under Section 280G of the Internal Revenue Code of 1986, as amended. If an excise tax is applicable, Dr. Atick is entitled to a gross-up payment under the terms of his employment agreement.

Potential Payments and Benefits Upon a Termination of Employment or a Change in Control of the Company for Mr. Molina

Executive Payments and Benefits(1)	Termination without Cause or Resignation for Good Reason(2)	Death or Disability(2)(7)	Following Change in Control of the Company(2)(6)	Accelerated vesting: Stock options(3)	\$ 382,500	\$ 382,500	\$ 382,500		
Payment for annual incentive award (pro rated)	130,000	130,000	130,000	Severance payment(4)	650,000	650,000	650,000		
Continued medical and dental coverage	17,427	17,427	17,427	Tax reimbursement amounts(5)	0	0	0		
434,734	TOTAL:	\$ 1,179,927	\$ 1,179,927	\$ 1,614,661					

(1) For purposes of this analysis, we have assumed the executive's compensation is as follows: current base salary equal to \$325,000, a targeted annual incentive award opportunity equal to 50% of his base salary, and outstanding stock option awards as reflected in the Grants of Plan-Based Awards Table for 2007 on page 29 of this proxy statement. (2) Assumes the executive's date of termination of employment was December 31, 2007 and that the market price of the Company's common stock on December 31, 2007 (the last trading date of the fiscal year) was 17.95 per share. (3) Under the Company's stock incentive plan, the Board has the discretion to determine whether the vesting of all outstanding unvested stock options is accelerated upon a change-in-control of the Company. For the purposes of this analysis we have assumed that the Board of Directors has elected to accelerate vesting upon a change-in-control of the Company. In addition to accelerated vesting, in the event that Mr. Molina employment is terminated without cause or specified reasons all outstanding stock options will remain exercisable for a period of 18 months from the date of termination of employment. This extension of the post-termination exercise period has not been separately valued for purposes of this disclosure. (4) The amount shown for Severance includes 24 months base salary (\$650,000). Fifty percent of this payment is to be made at the time of termination of employment, with the remaining 50% to be paid within six months of the termination date. (5) The amounts reflected in this table assume that an excise tax would be applicable under 280G of the Internal Revenue Code of 1986, as amended. If an excise tax is applicable, Mr. Molina is entitled to a gross-up payment under the terms of his employment agreement. (6) Assumes a termination of employment without Cause or a Resignation for Good Reason (each as defined in the employment agreement). However, in the event of any separation of employment following a change in control, Company will pay all costs of relocation to any location in the U.S., or the lump sum cash value thereof. (7) In the event of death or disability, Mr. Molina is entitled to receive the same benefits provided for a Termination without Cause.

DIRECTOR COMPENSATION TABLE FOR 2007

The following table sets forth, for the fiscal year ended December 31, 2007, the total compensation of each person who served on our Board of Directors during 2007.

Name(1)	Fees Earned	or Paid in Cash	(\$)(2) Stock Awards	(\$)(3) Option Awards	(\$)(4) Unvested Option Awards(5)	All Other Compensation	(\$)(6) Total
B.G. Beck	\$ 60,000	\$ 45,390					\$ 105,390
Denis K. Berube	64,000	45,390					141,390
Milton E. Cooper	96,000	45,390					141,390
Louis J. Freeh(8)							45,000
Robert S. Gelbard	92,000	45,390					137,390
Malcolm J. Gudis	96,000	45,390					141,390
John E. Lawler	102,000	45,390					147,390
James M. Loy	86,000	45,390					121,390
Harriet Mouchly-Weiss	76,000	45,390					121,390
Peter Nessen	98,000	45,390					143,390
B. Boykin	85,000	45,390					137,390
Rose	81,132	18,750					211,522
George J. Tenet	69,000	45,390					114,390
	20,750	195,522					

(1)

Mr. LaPenta, the current Chairman of the Board of Directors, is not included in this table because, as an employee of the Company, he does not receive any fees for service as a director. (2) The Company's standard fee arrangements for non-employee directors are as follows: a \$40,000 annual cash retainer for service as a director payable in quarterly installments. In addition, the chairs of the Audit, Nominating and Corporate Governance, and Compensation Committees and the Vice-Chair of the Audit Committee receive a quarterly cash fee of \$5,000 for serving in these positions. Non-employee directors are paid \$2,000 in cash for attending meetings of the Board of Directors and \$1,000 for attending board committee meetings. (3) Non-employee directors receive an annual stock award of 3,000 shares of the Company's common stock that is payable annually on the first business day of each calendar year. The amounts reported in the Stock Awards column represent the portion of the grant date fair value of the stock-based awards made to the non-employee directors during 2007 and in prior years that was recognized for financial reporting purposes with respect to 2007 in accordance with Statement of Financial Accounting Standards No. 123 (revised 2004) "Share-Based Payment" (FAS 123(R)). Pursuant to SEC rules, the amounts reported exclude the impact of estimated forfeitures related to service-based vesting conditions. Any assumptions made in calculating the grant date fair value amounts for the awards made in 2007 are incorporated herein by reference to the discussion of those assumptions in footnote 11 to the Company's financial statements as contained in the Company's Annual Report on Form 10-K filed with the SEC on February 28, 2008. (4) The amounts reported in the Option Awards column represent the portion of the grant date fair value of the stock options made to the non-employee directors in prior years that was recognized for financial reporting purposes with respect to 2007 in accordance with SFAS 123(R). Pursuant to SEC rules, the amounts reported exclude the impact of estimated forfeitures related to service-based vesting

conditions. The assumptions made in calculating the grant date fair value amounts for the options granted in 2004, 2005, and 2006 are incorporated herein by reference to the discussion of those assumptions in footnote 11 to the Company's financial statements as contained in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 28, 2008. Note that the amounts reported in this column reflect the Company's accounting cost for these options, and do not correspond to the actual economic value that will be received by the non-employee directors from the options. See the Director Equity Awards Table for 2007 below for details on the stock option grants.

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The aggregate number of shares underlying option awards outstanding as of December 31, 2007 for each of the non-employee directors was as follows:

	Name	Number of Shares
Underlying		
Outstanding Options	B.G. Beck	13,000
	Denis K. Berube	23,000
	Milton E. Cooper	85,140
	Louis J. Freeh	6,250
	Robert S. Gelbard	19,000
	Malcolm J. Gudis	56,760
	John E. Lawler	49,665
	James M. Loy	25,000
	Harriet Mouchly-Weiss	38,667
	Peter Nessen	42,500
	B. Boykin Rose	25,000
	George J. Tenet	34,000

For a description of our equity award grant practices for directors, see “Long-Term Incentive Awards” in the Compensation Discussion and Analysis on page 24 of this proxy statement.

(5) Options vest in equal installments on each of the first and second anniversary dates of grant. The numbers in this column represent the number of shares underlying options granted. (6) Perquisites and other personal benefits provided to each of the non-employee directors in 2007 were, in the aggregate, less than \$10,000 per director. (7) Mr. Berube receives \$125,000 per year under a consulting agreement with the Company that is in effect until January 10, 2012 or until he finds full-time employment elsewhere. (8) Mr. Freeh resigned from the Board of Directors and all committees on which he served effective August 30, 2007.

DIRECTOR EQUITY AWARDS FOR 2007

Each non-