

PLAINS RESOURCES INC  
Form SC 13E3/A  
June 23, 2004

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**SCHEDULE 13E-3**

**(Rule 13e-100)**

**Rule 13e-3 Transaction Statement Under**

**Section 13(e) of the Securities Exchange Act of 1934**

**(Amendment No. 3)**

**PLAINS RESOURCES INC.**

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(Name of the Issuer)

**Plains Resources Inc., James C. Flores, John T. Raymond,**

**Vulcan Energy Corporation, Prime Time Acquisition Corporation, Sable Investments, L.P. and Sable Investments, LLC**

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(Name of Person(s) Filing Statement)

**Common Stock, Par Value \$0.10 Per Share**

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(Title of Class of Securities)

**726540503**

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(CUSIP Number of Class of Securities)

**E. Lynn Hill**

**Chief Accounting Officer**

**Richard Leigh**

**Vice President and Secretary**

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**Plains Resources Inc.**

**700 Milam, Suite 3100**

**Houston, TX 77002**

**(832) 239-6000**

*copy to:*

**Michael E. Dillard, P.C.**

**Julien R. Smythe**

**Akin Gump Strauss Hauer & Feld LLP**

**1111 Louisiana Street, 44th Floor**

**Houston, TX 77002**

**(713) 220-5800**

**Vulcan Energy Corporation**

**505 5th Avenue South**

**Suite 900**

**Seattle, WA 98104**

**(206) 342-2000**

*copy to:*

**Frank Ed Bayouth II**

**Skadden, Arps, Slate, Meagher & Flom LLP**

**1600 Smith Street, Suite 4400**

**Houston, TX 77002**

**(713) 655-5100**

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**(Name, Address and Telephone Number of Persons Authorized to Receive Notices and**

**Communications on Behalf of Person(s) Filing Statement)**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the transaction, passed upon the merits or the fairness of the transaction or passed upon the adequacy or accuracy of the information contained in this document. Any representation to the contrary is a criminal offense.

This statement is filed in connection with (check the appropriate box):

- a.  The filing of solicitation materials or an information statement subject to Regulation 14A, Regulation 14C or Rule 13e-3(c) under the Securities Exchange Act of 1934.
- b.  The filing of a registration statement under the Securities Act of 1933.
- c.  A tender offer.
- d.  None of the above.

Check the following box if the soliciting materials or information statement referred to in checking box (a) are preliminary copies:

Check the following box if the filing is a final amendment reporting the results of the transaction:

**CALCULATION OF FILING FEE\***

Transaction value	Amount of Filing Fee
\$385,161,498.00	\$48,799.96

\* The filing fee of \$48,799.96 was calculated pursuant to Exchange Act Rule 0-11(c)(1) and is based on (1) the aggregate number of 22,675,700 shares of Plains Resources common stock, \$0.10 par value per share (the **Common Stock**), consisting of 22,599,200 shares of Common Stock outstanding plus the 76,500 restricted units representing the right to purchase Common Stock multiplied by the \$16.75 per share merger consideration; plus (ii) the cash-out value of 1,610,785 options representing the right to purchase Common Stock. The filing fee was then calculated by multiplying the resulting transaction cash value of \$385,161,498.00 by 0.00012670.

- x  Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and date of its filing.

Amount Previously Paid: \$48,799.96

Form or Registration No.: Schedule 14A

Filing Party: Plains Resources Inc.

Date Filed: March 2, 2004

INTRODUCTION

This Amendment No. 3 to the Rule 13e-3 Transaction Statement on Schedule 13E-3 (the **Schedule 13E-3**) is being filed with the Securities and Exchange Commission pursuant to Section 13(e) of the Securities Exchange Act of 1934, as amended (the **Exchange Act**) by (1) Plains Resources Inc., a Delaware corporation (**Plains Resources**), (2) James C. Flores and John T. Raymond (together with their affiliates, Sable Investments, L.P. and Sable Investments, LLC, the **Management Stockholders**), (3) Vulcan Energy Corporation, a newly formed Delaware corporation (**Vulcan Energy**) that will be 100% owned by Paul G. Allen and the Management Stockholders following the proposed merger discussed below, and (4) Prime Time Acquisition Corporation, a newly formed Delaware corporation and wholly owned subsidiary of Vulcan Energy (the **Vulcan Merger Subsidiary**). The preceding persons are collectively referred to herein as the **Filing Persons**, and individually as a **Filing Person**.

This Schedule 13E-3 relates to a proposed merger of the Vulcan Merger Subsidiary with and into Plains Resources (the **Merger**) pursuant to an Agreement and Plan of Merger, dated as of February 19, 2004 (the **Merger Agreement**), by and among Vulcan Energy, the Vulcan Merger Subsidiary and Plains Resources. In connection with the Merger:

each share of Plains Resources common stock outstanding at the effective time of the merger (other than shares held directly or indirectly by Vulcan Energy or Plains Resources and other than shares held by dissenting stockholders who exercise and perfect their appraisal rights under Delaware law) will be converted into the right to receive \$16.75 in cash;

each share of restricted common stock of Plains Resources (other than restricted shares held by the Management Stockholders) will become fully vested and will be converted into the right to receive \$16.75 in cash;

each option to purchase shares of Plains Resources common stock (other than stock options held by the Management Stockholders) will become fully vested and exercisable, and each holder of options to purchase shares of Plains Resources common stock (other than the Management Stockholders) will receive, upon exercise of the option, an amount in cash equal to the number of unexercised shares subject to such option times the excess of \$16.75 over the per share exercise price of the option; and

each outstanding restricted stock unit (other than restricted stock units held by the Management Stockholders) will become fully vested and payable and treated as a share of Plains Resources common stock and exchanged for \$16.75 in cash.

As a result of the merger, the stockholders of Plains Resources (other than Vulcan Energy and its affiliates and the Management Stockholders) will no longer have any interest in, and will no longer be stockholders of, Plains Resources and will not participate in the future earnings or growth of Plains Resources, if any.

Concurrently with the filing of this Schedule 13E-3, Plains Resources is filing under Regulation 14A of the Exchange Act a definitive proxy statement pursuant to which Plains Resources' stockholders will be given notice of, and be asked to vote with respect to, the approval and adoption of the Merger Agreement and the Merger.

A copy of the proxy statement is incorporated by reference herein as Exhibit (a)(3) and a copy of the Merger Agreement is attached as Appendix A to the proxy statement. All references in this Schedule 13E-3 to Items numbered 1001 through 1016 are references to Items set forth in Regulation M-A under the Exchange Act.

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The cross reference sheet below is being supplied pursuant to General Instruction F to Schedule 13E-3 and shows the location in the proxy statement of the information required to be included in response to the items in this Schedule 13E-3. The information contained in the proxy statement, including all schedules, exhibits, appendices and annexes thereto, is hereby expressly incorporated herein by reference and the responses to each item in this Schedule 13E-3 are qualified in their entirety by the information contained in the proxy statement and the schedules, exhibits, appendices and annexes thereto. Capitalized terms used but not defined in this Schedule 13E-3 shall have the meanings given to them in the proxy statement.

All information contained in, or incorporated by reference in, this Schedule 13E-3 concerning Plains Resources has been supplied by Plains Resources and no other Filing Person takes responsibility for the accuracy of any information not supplied by

such Filing Person. The information contained in this Schedule 13E-3 and/or the proxy statement concerning each Filing Person other than Plains Resources was supplied by each such Filing Person and no other Filing Person, including Plains Resources, takes responsibility for the accuracy of any information not supplied by such Filing Person.

**Item 1. Summary Term Sheet**

**Regulation M-A**

**Item 1001**

*Summary Term Sheet.* The information contained in the proxy statement under the following captions is incorporated herein by reference:

Summary

Questions and Answers About the Merger

**Item 2. Subject Company Information**

**Regulation M-A**

**Item 1002**

- (a) *Name and Address.* The information contained in the proxy statement under the following captions is incorporated herein by reference:

Summary

Information About the Transaction Participants

- (b) *Securities.* The information contained in the proxy statement under the following captions is incorporated herein by reference:  
Information Concerning the Special Meeting Record Date

Common Stock Market Price and Dividend Information

- (c) *Trading Market and Price.* The information contained in the proxy statement under the caption Common Stock Market Price and Dividend Information is incorporated herein by reference.

- (d) *Dividends.* The information contained in the proxy statement under the following captions is incorporated herein by reference:  
Common Stock Market Price and Dividend Information

Merger Agreement Conduct of Business Pending the Merger

- (e) *Prior Public Offerings.* None.
  
- (f) *Prior Stock Purchases.* The information contained in the proxy statement under the caption Information Regarding Common Stock Transactions Purchases by Plains Resources is incorporated herein by reference.

**Item 3. Identity and Background of Filing Persons**

**Regulation M-A**

**Item 1003**

- (a) *Name and Address.* The business address for Sable Investments, L.P. and Sable Investments, LLC is 700 Milam, Suite 3100, Houston, Texas 77002, and their telephone number is (832) 239-6000. The information contained in the proxy statement under the following captions is incorporated herein by reference:

Summary

Current Executive Officers and Directors of Plains Resources

Current Executive Officers and Directors of Vulcan Energy and Vulcan Merger Subsidiary

Information About the Transaction Participants

(b) *Business and Background of Entities.* The information contained in the proxy statement under the following captions is incorporated herein by reference:

Summary

Information About the Transaction Participants

Certain Relationships and Related Transactions

(c) *Business and Background of Natural Persons.* The information contained in the proxy statement under the following captions is incorporated herein by reference:

Summary

Current Executive Officers and Directors of Plains Resources

Current Executive Officers and Directors of Vulcan Energy and Vulcan Merger Subsidiary

Information About the Transaction Participants

#### **Item 4. Terms of the Transaction**

##### **Regulation M-A**

##### **Item 1004**

(a)(1) *Material Terms.* Tender Offers. Not applicable.

(a)(2) *Mergers or Similar Transactions.* The information contained in the proxy statement under the following captions is incorporated herein by reference:

Summary

Questions and Answers About the Merger

Information Concerning the Special Meeting

Special Factors Structure of the Transaction

Special Factors Background of the Merger

Special Factors Recommendations of the Special Committee and the Board of Directors; Reasons for Recommending the Approval and Adoption of the Merger Agreement and the Merger

Special Factors Purposes of the Merger; Certain Effects of the Merger

Special Factors Interests of Certain Persons in the Merger

Special Factors Agreements with the Management Stockholders

Material U.S. Federal Income Tax Consequences



Merger Agreement

(c) *Different Terms*. The information contained in the proxy statement under the following captions is incorporated herein by reference:  
Summary

Questions and Answers About the Merger

Special Factors Interests of Certain Persons in the Merger

Special Factors Agreements with the Management Stockholders

Merger Agreement

(d) *Appraisal Rights*. The information contained in the proxy statement under the following captions is incorporated herein by reference:  
Summary

Questions and Answers About the Merger

Appraisal Rights

Merger Agreement Appraisal Rights

Appendix C

(e) *Provisions for Unaffiliated Security Holders*. The Filing Persons have made no provisions in connection with this transaction to grant unaffiliated security holders access to the respective corporate files of any of the Filing Persons or to obtain counsel or appraisal services at the expense of the Filing Persons.

(f) *Eligibility for Listing or Trading.* Not applicable.

**Item 5. Past Contacts, Transactions, Negotiations and Agreements**

**Regulation M-A**

**Item 1005**

(a) *Transactions.* The information contained in the proxy statement under the following captions is incorporated herein by reference:  
Special Factors Interests of Certain Persons in the Merger

Special Factors Agreements with the Management Stockholders

Information About the Transaction Participants Past Contacts, Transactions, Negotiations and Agreements

(b) *Significant Corporate Events.* The information contained in the proxy statement under the following captions is incorporated herein by reference:

Summary

Questions and Answers About the Merger

Special Factors Background of the Merger

Special Factors Interests of Certain Persons in the Merger

(c) *Negotiations or Contacts.* The information contained in the proxy statement under the following captions is incorporated herein by reference:

Summary

Questions and Answers About the Merger

Special Factors Background of the Merger

Special Factors Interests of Certain Persons in the Merger

Special Factors Agreements with the Management Stockholders

(d) *Conflicts of Interest.* The information contained in the proxy statement under the following captions is incorporated herein by reference:

Summary

Questions and Answers About the Merger

Special Factors Background of the Merger

Special Factors Purposes of the Merger; Certain Effects of the Merger

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Special Factors Interests of Certain Persons in the Merger

Special Factors Agreements with the Management Stockholders

(e) *Agreements Involving the Subject Company's Securities.* The information contained in the proxy statement under the following captions is incorporated herein by reference:

Special Factors Interests of Certain Persons in the Merger

Special Factors Agreements with the Management Stockholders

Information About the Transaction Participants Past Contacts, Transactions, Negotiations and Agreements

### Item 6. Purposes of the Transaction and Plans or Proposals

#### Regulation M-A

#### Item 1006

(b) *Use of Securities Acquired.* The information contained in the proxy statement under the following captions is incorporated herein by reference:

Summary

Questions and Answers About the Merger

Special Factors Structure of the Transaction

Special Factors Agreements with the Management Stockholders

Special Factors Plans for Plains Resources Following the Merger

Merger Agreement

(c)(1)-(8) *Plans.* The information contained in the proxy statement under the following captions is incorporated herein by reference:

Summary

Special Factors Structure of the Transaction

Special Factors Purposes of the Merger; Certain Effects of the Merger

Special Factors Interests of Certain Persons in the Merger

Special Factors Agreements with the Management Stockholders

Special Factors Plans for Plains Resources Following the Merger

Financing For the Merger

Merger Agreement

**Item 7. Purposes, Alternatives, Reasons and Effects**

**Regulation M-A**

**Item 1013**

(a) *Purposes*. The information contained in the proxy statement under the following captions is incorporated herein by reference:  
Summary

Questions and Answers About the Merger

Special Factors Background of the Merger

Special Factors Recommendations of the Special Committee and the Board of Directors; Reasons for Recommending the Approval and Adoption of the Merger Agreement and the Merger

Special Factors Position of Vulcan Energy and the Vulcan Merger Subsidiary as to the Fairness of the Merger to Plains Resources Stockholders

Special Factors Purposes of the Merger; Certain Effects of the Merger

Special Factors Interests of Certain Persons in the Merger

Special Factors Agreements with the Management Stockholders

Special Factors Plans For Plains Resources Following the Merger

(b) *Alternatives*. The information contained in the proxy statement under the following captions is incorporated herein by reference:  
Special Factors Background of the Merger

Special Factors Recommendations of the Special Committee and the Board of Directors; Reasons for Recommending the Approval and Adoption of the Merger Agreement and the Merger

Special Factors Purposes of the Merger; Certain Effects of the Merger

Special Factors Plans For Plains Resources if the Merger is Not Completed

(c) *Reasons*. The information contained in the proxy statement under the following captions is incorporated herein by reference:  
Summary

Questions and Answers About the Merger

Special Factors Background of the Merger

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Special Factors Recommendations of the Special Committee and the Board of Directors; Reasons for Recommending the Approval and Adoption of the Merger Agreement and the Merger

Special Factors Opinions of Financial Advisor to the Special Committee

Special Factors Position of Vulcan Energy and the Vulcan Merger Subsidiary as to the Fairness of the Merger to Plains Resources Stockholders

Special Factors Purposes of the Merger; Certain Effects of the Merger

Special Factors Interests of Certain Persons in the Merger

Special Factors Agreements with the Management Stockholders

Special Factors Plans for Plains Resources Following the Merger

(d) *Effects*. The information contained in the proxy statement under the following captions is incorporated herein by reference:  
Summary

Questions and Answers About the Merger

Special Factors Recommendations of the Special Committee and the Board of Directors; Reasons for Recommending the Approval and Adoption of the Merger Agreement and the Merger

Special Factors Purposes of the Merger; Certain Effects of the Merger

Special Factors Interests of Certain Persons in the Merger

Special Factors Agreements with the Management Stockholders

Special Factors Plans for Plains Resources Following the Merger

Material U.S. Federal Income Tax Consequences

## **Item 8. Fairness of the Transaction**

### **Regulation M-A**

#### **Item 1014**

(a) *Fairness*. The information contained in the proxy statement under the following captions is incorporated herein by reference:  
Summary

Questions and Answers About the Merger

Special Factors Background of the Merger

Special Factors Recommendations of the Special Committee and the Board of Directors; Reasons for Recommending the Approval and Adoption of the Merger Agreement and the Merger

Special Factors Opinions of Financial Advisor to the Special Committee

Special Factors Position of Vulcan Energy and the Vulcan Merger Subsidiary as to the Fairness of the Merger to Plains Resources Stockholders

Special Factors Interests of Certain Persons in the Merger

(b) *Factors Considered in Determining Fairness*. The information contained in the proxy statement under the following captions is incorporated herein by reference:  
Summary

Questions and Answers About the Merger

Special Factors Structure of the Transaction

Special Factors Background of the Merger

Special Factors Recommendations of the Special Committee and the Board of Directors; Reasons for Recommending the Approval and Adoption of the Merger Agreement and the Merger

Special Factors Opinions of Financial Advisor to the Special Committee

Special Factors Position of Vulcan Energy and the Vulcan Merger Subsidiary as to the Fairness of the Merger to Plains Resources Stockholders

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Special Factors Purposes of the Merger; Certain Effects of the Merger

Special Factors Interests of Certain Persons in the Merger

Special Factors Agreements with the Management Stockholders

(c) *Approval of Security Holders.* The information contained in the proxy statement under the following captions is incorporated herein by reference:

Summary

Questions and Answers About the Merger

Information Concerning the Special Meeting Vote Required; How Shares Are Voted

Special Factors Recommendations of the Special Committee and the Board of Directors; Reasons for Recommending the Approval and Adoption of the Merger Agreement and the Merger

Special Factors Position of Vulcan Energy and the Vulcan Merger Subsidiary as to the Fairness of the Merger to Plains Resources Stockholders

(d) *Unaffiliated Representative*. The information contained in the proxy statement under the following captions is incorporated herein by reference:

Summary

Questions and Answers About the Merger

Special Factors Background of the Merger

Special Factors Recommendations of the Special Committee and the Board of Directors; Reasons for Recommending the Approval and Adoption of the Merger Agreement and the Merger

Special Factors Opinions of Financial Advisor to the Special Committee

Special Factors Position of Vulcan Energy and the Vulcan Merger Subsidiary as to the Fairness of the Merger to Plains Resources Stockholders

(e) *Approval of Directors*. The information contained in the proxy statement under the following captions is incorporated herein by reference:

Summary

Special Factors Background of the Merger

Special Factors Recommendations of the Special Committee and the Board of Directors; Reasons for Recommending the Approval and Adoption of the Merger Agreement and the Merger

Special Factors Position of Vulcan Energy and the Vulcan Merger Subsidiary as to the Fairness of the Merger to Plains Resources Stockholders

(f) *Other Offers*. The information contained in the proxy statement under the following captions is incorporated herein by reference:

Special Factors Background of the Merger

Special Factors Recommendations of the Special Committee and the Board of Directors; Reasons for Recommending the Approval and Adoption of the Merger Agreement and the Merger

Special Factors Position of Vulcan Energy and the Vulcan Merger Subsidiary as to the Fairness of the Merger to Plains Resources Stockholders

## **Item 9. Reports, Opinions, Appraisals and Negotiations**

### **Regulation M-A**

#### **Item 1015**

(a) *Report, Opinion or Appraisal*. The information contained in the proxy statement under the following captions is incorporated herein by reference:

Special Factors Background of the Merger

Special Factors Recommendations of the Special Committee and the Board of Directors; Reasons for Recommending the Approval and Adoption of the Merger Agreement and the Merger

Special Factors Opinions of Financial Advisor to the Special Committee



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Special Factors Position of Vulcan Energy and the Vulcan Merger Subsidiary as to the Fairness of the Merger to Plains Resources Stockholders

Appendix B

(b) *Preparer and Summary of the Report, Opinion or Appraisal.* The information contained in the proxy statement under the following captions is incorporated herein by reference:

Special Factors Background of the Merger

Special Factors Opinions of Financial Advisor to the Special Committee

Special Factors Fees and Expenses

Appendix B

(c) *Availability of Documents.* The information contained in the proxy statement under the caption Special Factors Opinion of Financial Advisor to the Special Committee is incorporated herein by reference.

**Item 10. Source and Amounts of Funds or Other Consideration**

**Regulation M-A**

**Item 1007**

(a) *Source of Funds.* The information contained in the proxy statement under the following captions is incorporated herein by reference:  
Summary

Questions and Answers About the Merger

Special Factors Structure of the Transaction

Special Factors Agreements with the Management Stockholders

Financing For the Merger

Merger Agreement

(b) *Conditions.* The information contained in the proxy statement under the following captions is incorporated herein by reference:  
Summary

Special Factors Structure of the Transaction

Special Factors Agreements with the Management Stockholders

Financing For the Merger

Merger Agreement

(c) *Expenses.* The information contained in the proxy statement under the following captions is incorporated herein by reference:  
Summary

Information Concerning the Special Meeting Proxy Solicitation

Special Factors Fees and Expenses

Financing For the Merger Requirements

(d) *Borrowed Funds.* Not applicable.

**Item 11. Interest in Securities of the Subject Company**

**Regulation M-A**

**Item 1008**

(a) *Securities Ownership*. The information contained in the proxy statement under the following captions is incorporated herein by reference:  
Special Factors Interests of Certain Persons in the Merger

Security Ownership of Certain Beneficial Owners and Management of Plains Resources

(b) *Securities Transactions*. The information contained in the proxy statement under the caption Information Regarding Common Stock Transactions is incorporated herein by reference.

## **Item 12. The Solicitation or Recommendation**

### **Regulation M-A**

#### **Item 1012**

(d) *Intent to Tender or Vote in a Going-Private Transaction*. The information contained in the proxy statement under the following captions is incorporated herein by reference:  
Summary

Questions and Answers About the Merger

Information Concerning the Special Meeting Vote Required; How Shares Are Voted

(e) *Recommendations of Others*. The information contained in the proxy statement under the following captions is incorporated herein by reference:  
Summary

Questions and Answers About the Merger

Information Concerning the Special Meeting Proxy Solicitation

Special Factors Recommendations of the Special Committee and the Board of Directors; Reasons for Recommending the Approval and Adoption of the Merger Agreement and the Merger

Special Factors Position of Vulcan Energy and the Vulcan Merger Subsidiary as to the Fairness of the Merger to Plains Resources Stockholders

**Item 13. Financial Statements**

**Regulation M-A**

**Item 1010**

- (a) *Financial Information.* The information contained in the proxy statement under the following captions is incorporated herein by reference:

Plains Resources Selected Historical Consolidated Financial Data

Miscellaneous Other Information Where You Can Find More Information

- (b) *Pro Forma Information.* Not applicable.

**Item 14. Persons/Assets, Retained, Employed, Compensated or Used**

**Regulation M-A**

**Item 1009**

- (a) *Solicitations or Recommendations.* The information contained in the proxy statement under the following captions is incorporated herein by reference:

Summary

Information Concerning the Special Meeting Proxy Solicitation

Special Factors Recommendations of the Special Committee and the Board of Directors; Reasons for Recommending the Approval and Adoption of the Merger Agreement and the Merger

Special Factors Opinions of the Financial Advisor to the Special Committee

Special Factors Position of Vulcan Energy and the Vulcan Merger Subsidiary as to the Fairness of the Merger to Plains Resources Stockholders

Appendix B

- (b) *Employees and Corporate Assets.* The information contained in the proxy statement under the following captions is incorporated herein by reference:

Summary

Information Concerning the Special Meeting Proxy Solicitation

Special Factors Background of the Merger

Special Factors Interests of Certain Persons in the Merger

**Item 15. Additional Information**

**Regulation M-A**

**Item 1011**

- (b) *Other Material Information.* The entirety of the proxy statement, including all appendices thereto, is incorporated herein by reference.

**Item 16. Exhibits**

**Regulation M-A**

**Item 1016**

- (a)(1) Not applicable.
- (a)(3) Definitive proxy statement, incorporated herein by reference to Schedule 14A as filed with the Securities and Exchange Commission by Plains Resources Inc. on June 23, 2004.
- (b) Not applicable.

- (c)(1) February 18, 2004 Presentation to the Board of Directors.\*
- (c)(2) Opinion of Petrie Parkman & Co., dated February 18, 2004.
- (c)(3) February 13, 2004 Presentation to the Special Committee.
- (c)(4) March 11, 2004 Special Committee Discussion Materials.
- (c)(5) March 29, 2004 Special Committee Discussion Materials.
- (c)(6) May 6, 2004 Special Committee Discussion Materials.
- (c)(7) Standard & Poor's Preliminary Ratings Letter, dated May 6, 2004.
- (c)(8) Opinion of Petrie Parkman & Co., dated June 7, 2004 (included as Appendix B to the definitive proxy statement).
- (c)(9) Netherland, Sewell & Associates, Inc.'s Letter re: Reserves and Future Revenues of Plains Resources Inc., dated February 11, 2004.
- (d)(1) Agreement and Plan of Merger, dated as of February 19, 2004, by and among Vulcan Energy Corporation, Prime Time Acquisition Corporation and Plains Resources Inc. (included as Appendix A to the definitive proxy statement).
- (d)(2) Amended and Restated Subscription Agreement, dated as of February 19, 2004, by and among Vulcan Energy Corporation, Paul G. Allen, James C. Flores and John T. Raymond (included as Exhibit 99(a) to the Schedule 13D/A, which was filed by Plains Resources, the Management Stockholders, Mr. Allen and Vulcan Energy on February 26, 2004).
- (d)(3) Form of Stockholders' Agreement, dated as of November 19, 2003, by and among Vulcan Energy Corporation, Paul G. Allen, James C. Flores and John T. Raymond.\*
- (d)(4) Form of Exclusivity Agreement, dated as of November 19, 2003, by and among Paul G. Allen, James C. Flores and John T. Raymond.\*
- (d)(5) Form of Proposed Employment Agreement for James C. Flores; Summary of Key Terms.\*
- (d)(6) Form of Proposed Employment Agreement for John T. Raymond; Summary of Key Terms.\*
- (f) Section 262 of the Delaware General Corporation Law (included as Appendix C to the definitive proxy statement).
- (g) Not applicable.

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\* Previously filed on March 2, 2004.

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SIGNATURES

After due inquiry and to the best of their knowledge and belief, the undersigned certify that the information set forth in this statement is true, complete and correct.

Dated: June 23, 2004

PLAINS RESOURCES INC.

By: /s/ John T. Raymond

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Name: John T. Raymond  
Title: Chief Executive Officer

Dated: June 23, 2004

/s/ James C. Flores

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James C. Flores

Dated: June 23, 2004

/s/ John T. Raymond

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John T. Raymond

Dated: June 23, 2004

PRIME TIME ACQUISITION CORPORATION

By: /s/ David N. Capobianco

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Name: David N. Capobianco  
Title: Vice President

Dated: June 23, 2004

VULCAN ENERGY CORPORATION

By: /s/ David N. Capobianco

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Name: David N. Capobianco  
Title: Vice President

Dated: June 23, 2004

SABLE INVESTMENTS, L.P.

By: its general partner,

SABLE INVESTMENTS, LLC

By: /s/ James C. Flores

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James C. Flores, its sole member

Dated: June 23, 2004

SABLE INVESTMENTS, LLC

By: /s/ James C. Flores

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James C. Flores, its sole member

ze: 6pt"> Nuance Communications, Inc. OSI Systems, Inc. Parametric Technology Corporation Quest Software,  
Inc. Rofin Sinar Technologies, Inc. Tibco Software, Inc.



Other published surveys were consulted for a broader sample of data on government contractors and other companies of similar size in the same industry niches, including the following:

Human Resource Association of the National Capital Area and Professional Services Council, Government Contractors Compensation Survey Report

Mercer, US Benchmark Database Executive

Radford, Executive Survey Compensation Report

Washington Technical Professional Forum, Compensation Survey Report

Watson Wyatt, Survey Report on Top Management Compensation

#### *Advisors*

PRM attended Compensation Committee meetings at the invitation of the Committee's Chairman to present the results of the competitive market analysis and to be available, as necessary, to advise the Compensation Committee with respect to other executive compensation actions taken by the Committee in 2009 and 2010. PRM did not provide any executive compensation services, pension consulting services or human resource outsourcing services directly to the Company or management in 2009, and will not provide any such services other than as directed or approved by the Compensation Committee. PRM fees during 2010 aggregated \$45,454.

#### *Equity Award Grant Practices*

Stock options and other equity awards are granted under the L-1 Identity Solutions, Inc. 2002, 2008 and 2010 Long-Term Incentive Plan. The 2010 Long-Term Incentive Plan was approved by the shareholders on May 5, 2010 and no awards have been granted since its inception. 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 applicable. Stock options and other equity awards are granted to continuing executives, our other employees and directors on a regular annual basis. In the case of directors, stock 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 each 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 applicable, except for annual directors' awards which are deemed effective automatically on the first business day of each calendar year.

Stock options and other equity awards are considered for grant 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 is required to 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 executive, 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 or conditions that 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 of the Board of Directors or member of management.

The grant date fair value of the long-term incentive awards made to the Named Executive Officers in 2009 is reported in the Summary Compensation Table and the Grants of Plan-Based Awards Table on pages 21 and 22, respectively, in this Item 11.

#### **Retirement and Other Benefits**

We provide a Section 401(k) Retirement Savings Plan, a tax-qualified defined contribution plan, to our executives and employees, including the Named Executive Officers. This plan permits participants to make pre-tax contributions of up to 90% of their eligible compensation, not to exceed the applicable statutory dollar limitations of \$16,500 and \$22,500 for individuals younger than 50 years of age and age 50 and older, respectively. In addition, we may make discretionary contributions to the plan in any year, up to certain limits. Historically, the Company has provided a matching contribution equal to 100% of the first 2% and 50% of the next 4% of employee elective contributions; in effect, those employees who make an elective contribution equal to 6% or more receive a 4% matching contribution, subject to the aforementioned IRS limitations. In 2010, we continued to provide a matching contribution in shares of Company's common stock based on this

formula. In connection with the Merger Agreement with Safran we ceased making contributions in common stock effective January 1, 2011. The Company's matching contributions to the accounts of the Named Executive Officers are disclosed in the Summary Compensation Table on page 21 of this Item 11.

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 have elected to defer the receipt of all or any portion of their annual incentive award payouts if those awards are satisfied in shares of the Company's common stock. This arrangement is provided 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, as many of the companies with which we compete for executive talent provide similar plans or arrangements for their senior employees.

#### **Employment Arrangements with Our Named Executive Officers**

The Company has employment agreements with each of the Named Executive Officers other than Mr. D. Angelo who has an offer letter. The employment arrangements were entered into in connection with the August 2006 merger of Viisage and Identix. The employment arrangements were amended on July 31, 2009 to extend their term and ensure greater consistency of terms relating to compensation determinations and compensation upon a separation of employment from the Company. The employment agreements 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 payments and benefits under certain specified circumstances. 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 executive or employee, from diverting customers to a competitor and from disclosing confidential Company information or business practices.

In the event of a separation of employment in certain specified circumstances, including in connection with a change in control of the Company, the employment arrangements provide for the immediate and full vesting of all outstanding stock options and restricted share awards in addition to certain severance payments and other benefits. While each of our Named Executive Officers commenced service with the Company in August 2006, the terms of the individual's employment agreement, based in some cases on legacy agreements, were not consistent, most significantly in the formulation, timing and terms of payments and other benefits upon a separation of service. In addition, there were inconsistencies as to whether benefits would become payable upon a non-renewal of the agreement or upon death or disability. In order to improve internal equity, and to provide greater assurance to the executives at a time when the management team had shown extraordinary effort to grow the Company over a three year period, the severance benefits were made consistent within the Named Executive Officer group, other than Mr. D. Angelo.

If a separation of employment occurs in the context of a change of control, and the payments and benefits to be received by the Named Executive Officers would be subject to an additional excise tax pursuant to Section 4999 of the Internal Revenue Code, the Company is obligated under the employment arrangements to pay the Named Executive Officers, other than Mr. D. Angelo, an additional amount equal to the total of such additional excise tax plus all income and other applicable taxes payable on such additional amount. The effects of these excise 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 this excise tax, we have determined that these payments are appropriate for our Named Executive Officers, other than Mr. D. Angelo.

For more information about the severance and change-in-control provisions of the employment arrangements, see the discussion of Potential Payments Upon Termination or Change in Control and the accompanying tables on pages

27-36 in Item 11.

**Rule 10b5-1 Trading Plans**

Under the Company's Insider Trading Policy, executives may implement a trading plan under Exchange Act Rule 10b5-1 after pre-clearing the plan with the Company's Compliance Officer 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 (as established under the Insider Trading Policy). Mr. Molina is the Company's Compliance Officer.

**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.

### Compensation Tables and Narratives

#### Summary Compensation Table for 2010

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 2010.

Name and Principal Positions	Year	Stock		Option	Non-Equity Incentive Plan	All Other Comp	Total	
		Salary (\$) (1)	Bonus (\$) (2)	Awards (\$) (3)	Awards (\$) (4)	Compensation (\$) (5)		(6)
Robert V. LaPenta	2010	\$785,000	\$		\$	\$206,062	\$32,200	\$1,023,262
Chairman, CEO & President	2009	785,000		2,320,600	1,395,453	100,000	11,384	4,612,437
	2008	750,000		35,000		200,000	9,740	994,740
James A. DePalma EVP, CFO & Treasurer	2010	395,000				106,650	15,557	517,207
	2009	395,000		1,341,050	807,117	55,000	10,832	2,608,999
Joseph Atick EVP, Chief Strategic Officer	2008	381,872				110,000	9,740	501,612
	2010	400,000				108,000	10,160	518,160
Mark S. Molina EVP, Chief Legal Officer & Secretary	2009	400,000		1,304,400	785,577	50,000	10,160	2,550,137
	2008	400,000				100,000	9,416	509,416
Vincent A. D Angelo SVP of Finance, Chief Accounting Officer	2010	345,000				93,150	10,352	448,502
	2009	345,000		906,250	545,258	45,000	10,352	1,851,860
	2008	331,872				82,500	9,740	424,112
	2010	280,000		183,500		63,000	12,848	539,348

- (1) In 2009 Mr. LaPenta received \$750,000 of his base salary in cash and the payment of the remaining \$35,000 was satisfied by the issuance of 4,749 shares of the Company's common stock on February 9, 2010. In 2008 and 2010 Mr. LaPenta received all of his base salary in cash.
- (2) The Company paid no discretionary bonuses to the Named Executive Officers for 2010, 2009 or 2008. Payouts under the Company's Management Incentive Plan for 2010, 2009 and 2008 are reported in the Non-Equity Incentive Plan Compensation column.
- (3) The amount reported in the Stock Awards column (a) for 2009 and 2010 represents the aggregate grant date fair value of the Restricted Stock Awards granted in 2009 to the Named Executive Officers, as part of the Long Term Incentive Plan with respect to their 2008 performance and in connection with the July 2009 employment agreement renewals; and (b) for 2008 represents the aggregate grant date fair value of a fully vested stock award that Mr. LaPenta received in lieu of cash, in connection with his 2008 annual base salary increase. The number of shares is computed using the closing sale price per share of Company common stock as reported on the NYSE on the date of the approval by the Board of Directors of the respective award.
- (4) The amounts reported in the Option Awards column represent the aggregate grant date fair value of the stock options granted to the Named Executive Officers. 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 aggregate grant date fair value amounts for the options granted in 2009 are described in note 7 to the Company's consolidated financial statements as contained in Item 8 of this Annual Report on Form 10-K filed with the SEC on March 1, 2011.

- (5) The amounts reported in the Non-Equity Incentive Plan Compensation column represent the amounts earned by the Named Executive Officers for 2010, 2009 and 2008 under the Company's annual Management Incentive Plan. With respect to Mr. LaPenta, the indicated amount reported for 2010 was paid in cash and the indicated amounts 2009 and 2008 represent 13,569 and 27,285 stock units, respectively, the settlement of which Mr. LaPenta has deferred on the terms set forth in his employment arrangement. With respect to Mr. DePalma, the indicated amount reported for 2010 was paid in cash and the indicated amounts for 2009 and 2008 represent 7,463 and 15,007 stock units, respectively, the settlement of which Mr. DePalma has deferred on the terms set forth in his employment agreement. Each stock unit settles into one share of Company common stock upon meeting specified conditions set forth in the deferral election. The Company determined the number of shares to be issued to satisfy the awards as described above based on, the closing sales price per share of the Company's common stock as reported on the NYSE on the date the Board of Directors approved such award. With respect to Messrs. Atick, Molina and D'Angelo, the amounts reported for 2010, 2009 and 2008 were paid in cash. The amounts reported are determined in the year following the year during which the amounts were earned, except for 2010 for Messrs. LaPenta, DePalma and Molina, for whom \$147,188, \$59,250 and \$51,750, respectively, of such amounts were determined in December 2010. For a description of this plan, see "Annual Incentive Awards" on page 14 in Item 11.
- (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 AD&D insurance. Beginning in April 2008, Company matching contributions to the Section 401(k) retirement accounts were made in the form of shares of the Company's common stock for all participating employees.

**Grants of Plan-Based Awards Table for 2010**

The following table sets forth information regarding grants of plan-based awards made to the Named Executive Officers in 2010 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 Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)
		Target (\$)	Maximum (\$)				
Robert V. LaPenta		588,750	765,375				
James A. DePalma		237,000	308,100				
Joseph Atick		240,000	312,000				
Mark S. Molina		207,000	269,100				
Vincent A. D Angelo		390,000	432,000	25,000			183,500

- (1) This column shows the target and maximum annual incentive award opportunity for each of the Named Executive Officers under the 2010 Management Incentive Plan. The amounts for Mr. D Angelo also include a long-term cash incentive award of \$100,000 granted in February 2010, which vests annually over a three year period, and a transaction bonus of \$150,000, contingent upon and payable on the consummation of the Safran Merger. The 2010 Management Incentive Plan does not provide a minimum guaranteed payment. The target award was 75% of base salary earned for the year as provided by Mr. LaPenta's employment agreement, 60% of base salary earned for the year as provided by each of Messrs. DePalma's, Atick's and Molina's employment agreement and 50% as provided by Mr. D Angelo's offer letter. The actual amounts paid to the Named Executive Officers under the 2010 Management Incentive Plan are as follows: Mr. LaPenta \$206,062, Mr. DePalma \$106,650, Dr. Atick \$108,000, Mr. Molina \$93,150, and Mr. D Angelo \$63,000. Also, Mr. D Angelo was paid \$33,333 in February 2011 representing one-third of the long-term cash incentive award that vested.

**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 other than Mr. D Angelo. These agreements and Mr. D Angelo's offer letter 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 agreements were amended on July 31, 2009 to extend their term. In connection with these extensions, certain terms of the employment agreements were amended to, among other things, ensure substantially consistent treatment of the executives in respect of compensation determinations and upon a separation of employment from the Company. The material terms of these agreements, as amended, and offer letter are as follows:

- Term.** For three years ending on August 29, 2012, with automatic one-year extensions unless either party gives 90 days advance written notice of non-renewal. Mr. D Angelo's offer letter does not have a fixed term.
- Compensation and Benefits.** During the term of the agreement, the respective Named Executive Officers are eligible to receive the following compensation:

- a. Base Salary. An initial base salary of \$785,000 for Mr. LaPenta, \$395,000 for Mr. DePalma, \$400,000 for Mr. Atick, \$345,000 for Mr. Molina and \$225,000 for Mr. D Angelo that was subsequently increased to \$285,000 on July 1, 2010. Such base salaries may be adjusted by the Board of Directors in its discretion. Each annual review will occur after the Company's year-end results have become available, with any increases in base salary being retroactive to January 1. Each of the Named Executive Officers will receive a lump sum payment in respect of any retroactive adjustments. At the time of the July 2009 employment agreement amendments the



Compensation Committee considered the recommendations of our CEO with respect to base salary increases for the Named Executive Officers, but elected to postpone taking action on such recommendations until February 2010, except for Mr. D Angelo whose salary was adjusted in 2010. No adjustments have taken place since August 2008.

- b. Non-Equity Incentive Plan Compensation. An annual bonus with a target payout equal to 75% of base salary for Mr. LaPenta, 60% of base salary for Messrs. DePalma, Atick and Molina and 50% for Mr. D Angelo, with the actual payout (which can be more or less than target) determined by the Board of Directors in its discretion, based on the achievement of corporate and individual objectives determined by the Board of Directors. Any annual bonus payable to Messrs. LaPenta and DePalma may be paid in stock units at the election of such executive. If paid in stock units, each of Mr. LaPenta and Mr. DePalma have elected to defer the settlement of such units as permitted in his respective employment agreement. Each stock unit settles into one share of the Company's common stock. The 2010 bonus for Messrs. LaPenta and DePalma was paid in cash.
  - 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 the Named Executive Officer in his performance of services on behalf of the Company.
  - d. Equity Compensation. Awards of equity-based compensation during the term are at the discretion of the Board of Directors.
3. Termination. Under specified circumstances, the Named Executive Officer 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 27-36 in Item 11.
  4. Additional Provisions. Messrs. LaPenta and DePalma are permitted to continue to oversee the Aston Capital Partners L.P. investment fund and, with respect to each of Mr. LaPenta and Mr. DePalma, their respective investments in Core Software Technology Corporation.

**Outstanding Equity Awards at Fiscal Year-End Table for 2010**

The following table sets forth information concerning outstanding unexercised stock options and restricted share awards held by each of the Named Executive Officers as of December 31, 2010.

Name	Option Awards				Restricted Stock Awards	
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)
<b>Robert V. LaPenta</b>						
7/21/06	2,500		16.14	7/21/16		
8/29/06	315,000		14.55	8/29/16		
4/3/07	15,132(2)		16.85	4/3/12		
5/9/07	50,000	25,000(1)	20.01	5/9/17		
10/30/07	85,000	42,500(1)	18.00	10/30/17		
11/2/07	15,000	7,500(1)	18.46	11/2/17		
2/10/09	17,500	52,500(1)	7.33	2/10/19	40,500(5)	482,355
9/8/09	62,500	187,500(1)	7.23	9/8/19	187,500(5)	2,233,125
<b>James A. DePalma</b>						
8/29/06	180,000		14.55	8/29/16		
4/3/07	8,930(2)		16.85	4/3/12		
5/9/07	45,000	15,000(1)	20.01	5/9/17		
10/30/07	45,000	15,000(1)	18.00	10/30/17		
11/2/07	11,250	3,750(1)	18.46	11/2/17		
2/10/09	8,750	26,250(1)	7.33	2/10/19	21,250(5)	253,088
9/8/09	37,500	112,500(1)	7.23	9/8/19	112,500(5)	1,339,875
<b>Joseph Atick (3)</b>						
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	26,808		14.55	8/29/16		
8/29/06	173,192		14.55	8/29/16		
4/3/07	8,269(2)		16.85	4/3/17		
5/9/07	37,500	12,500(1)	20.01	5/9/17		
10/30/07	15,000	5,000(1)	18.00	10/30/17		
2/12/08	12,082(4)		13.25	2/12/18		
2/10/09	7,500	22,500(1)	7.33	2/10/19	22,500(5)	267,975
9/8/09	37,500	112,500(1)	7.23	9/8/19	112,500(5)	1,339,875

Name	Option Awards				Restricted Stock Awards	
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)
<b>Mark S. Molina (3)</b>						
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		
8/29/06	26,808		14.55	8/29/16		
8/29/06	123,192		14.55	8/29/16		
4/3/07	4,135(2)		16.85	4/3/12		
5/9/07	22,500	7,500(1)	20.01	5/9/17		
10/30/07	37,500	12,500(1)	18.00	10/30/17		
2/12/08	6,041(4)		13.25	2/12/18		
2/10/09	6,250	18,750(1)	7.33	2/10/19	18,750(5)	223,313
9/8/09	25,000	75,000(1)	7.23	9/8/19	75,000(5)	893,250
<b>Vincent A. D Angelo</b>						
12/8/06	70,000		16.43	12/8/16		
4/3/07	4,135(2)		16.85	4/3/12		
5/9/07	22,500	7,500(1)	20.01	5/9/17		
10/30/07	11,250	3,750(1)	18.00	10/30/17		
11/2/07	7,500	2,500(1)	18.46	11/2/17		
2/12/08	6,041(4)		13.25	2/12/18		
2/10/09	5,000	15,000(1)	7.33	2/10/19	15,000(5)	178,650
2/9/10					25,000(5)	297,750

- (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 satisfaction 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.

- (4) These options were granted in connection with the satisfaction of award payouts under the 2007 Management Incentive Plan.
- (5) Restricted stock awards vest (become transferable) in four equal annual installments, beginning on the first anniversary of the date of award. Each employment arrangement, other than as applicable to Mr. D Angelo, provides for an additional payment to compensate the executive officer for any excise tax incurred by such executive officer under Section 4999 of the Code. In the Merger Agreement, Safran and the Company agreed to cooperate, and the Company agreed to take all actions reasonably requested by Safran, on or prior to December 31, 2010, as are necessary to reduce and/or avoid the application of Section 280G of the Code to the payments to be made to such executive officers. Pursuant to such obligations, our board of directors took action prior to the end of 2010 to accelerate the vesting of 12,000 and 5,000 restricted shares held by Mr. LaPenta and Mr. DePalma, respectively, which restricted shares would have in the ordinary course become vested in February 2011.
- (6) Market value is based on the closing sales price of the Company's common stock on the NYSE on December 31, 2010 (the last trading date of the fiscal year) which was \$11.91 per share.

**Option Exercise and Restricted Stock Vested for 2010**

The following table sets forth information related to exercised stock options and vested restricted stock for the Named Executive Officers during the fiscal year ended December 31, 2010.

Name	Option Awards		Restricted Stock Awards	
	Number of Shares Received on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Received on Vesting (#)	Value Assigned on Vesting (\$)
<b>Robert V. LaPenta</b>				
2/10/10			17,500	136,325
9/8/10			62,500	563,750
12/30/10			12,000	142,860
<b>James A. DePalma</b>				
2/10/10			8,750	68,163
9/8/10			37,500	338,250
12/30/10			5,000	59,525
<b>Joseph Atick</b>				
2/10/10			7,500	58,425
9/8/10			37,500	338,250
<b>Mark S. Molina</b>				
2/10/10			6,250	48,688
9/8/10			25,000	225,500
<b>Vincent A. D Angelo</b>				
2/10/10			5,000	38,950

**Pension Benefits Table for 2010**

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

**Nonqualified Deferred Compensation Table for 2010**

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 pursuant to 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, 2010 and the year then ended.

Name	Plan	Executive Company's Aggregate Contributions		Aggregate Earnings	Aggregate
		(1)	(2)	(Loss) (2)	Balance (3)
Robert V. LaPenta	Election to Defer Annual Incentive Award	\$	\$	\$ 197,939	\$798,429
James A. DePalma	Election to Defer Annual Incentive Award	\$	\$	\$ 109,413	\$440,610

(1) No bonus was deferred in 2011 with respect to 2010 annual incentive awards.

- (2) The amounts reported in this column reflect the increase (or decrease) during 2010 in the market value of the shares of the Company's common stock underlying the deferred stock units that were determined in 2008 (with respect to 2007 annual incentive awards), in 2009 (with respect to 2008 annual incentive awards) and in 2010 (with respect to 2009 annual incentive awards).
- (3) The amounts reported in this column reflect the market value, as of December 31, 2010, of the shares of the Company's common stock underlying the deferred amounts that were determined in 2008 (with respect to 2007 annual incentive awards), in 2009 (with respect to 2008 annual incentive awards) and in 2010 (with respect to 2009 annual incentive awards). For Mr. LaPenta, the deferral amounts with respect to the incentive award plan year were: \$91,500 (2006), \$275,000 (2007), \$200,000 (2008) and \$100,000 (2009). For Mr. DePalma, the deferral amounts with respect to the incentive award plan year were: \$54,000 (2006), \$150,000 (2007), \$110,000 (2008) and \$55,000 (2009). The number of deferred stock units is

calculated using the closing per share price of Company common stock on the NYSE on the day the Board of Directors approves each respective annual incentive award.

**Potential Payments Following Termination or Change in Control**

Under the Company's employment arrangements with Messrs. LaPenta, DePalma, Atick, Molina and D'Angelo, 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. These benefits are in addition to the benefits generally available to the Company's salaried employees. 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, 2010.

As indicated previously if a separation of employment occurs in the context of a change of control, and the payments and benefits to be received by the Named Executive Officers would be subject to an additional excise tax pursuant to Section 4999 of the Internal Revenue Code, the Company is obligated under the employment agreements to pay the Named Executive Officers, other than Mr. D'Angelo, an additional amount equal to the total of such additional excise tax plus all income and other applicable taxes payable on such additional amount. It is expected that the termination of employment of the Named Executive Officers in connection with the Merger will not result in any payments in respect of a tax liability to the Named Executive Officers.

The quantitative information below does not reflect the actual amounts that will be received upon the closing of the Merger. Consummation of the Merger will constitute a change in control under the employment arrangements. Pursuant to the Merger Agreement, Safran has agreed to cause the surviving corporation to terminate the employment of Messrs. DePalma, LaPenta and Molina immediately following the closing of the Merger and has agreed that such terminations of employment shall be treated as terminations without cause for purposes of the Employment Agreements. An estimate of the amounts to be received as a result of such terminations upon the closing of the Merger is disclosed in the Company's definitive proxy statement filed with the SEC on January 3, 2011.

***Messrs. LaPenta and DePalma:***

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 Resignation 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 Insider 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;

a reduction in his base salary or target annual incentive award;

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;

the Company's failure to obtain the agreement from any successor to the Company to continue to provide the compensation and termination benefits provided for in the agreement; or

any other material breach of the employment agreement.

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 Resignation without Good Reason;

an amount equal to 24 months of the executive's base salary at the rate in effect at the date of termination;

an amount equal to the bonus awarded to the executive for the most recent completed calendar year for which a bonus was determined by the Board of Directors and, if the executive was terminated following the end of a completed calendar year but prior to the determination of the bonus, a bonus in an amount equal to the target level bonus for that calendar year;

accelerated vesting of all outstanding but unvested stock options, which will remain exercisable for a period of 36 months after termination, subject to the maximum original term of such options, and the lapse of all restrictions on stock based awards (such as restricted stock awards); and

for a 12-month period, COBRA payments or an amount equivalent to COBRA payments required to continue his medical, dental and vision benefits, unless earlier provided by a successor employer, and premium payments or an amount equivalent to the then existing premiums on the executive's term life insurance.

One-half of the severance payment reflected in the second and third bullet points above is to be paid within five business days of the termination date, with the remainder to be paid on the next business day after the six month anniversary 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, with a dollar-for-dollar reduction for any amounts, net of tax, paid under any life insurance, disability insurance or similar benefits provided by the Company.

Non-Renewal. Upon any non-renewal of any employment agreement, the relevant executive would receive all of the payments and benefits described in the section concerning termination without Cause or resignation for Good

Reason.

*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 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.

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);

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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; or

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

**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 and DePalma 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; and

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 to 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 below) 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 earned but unpaid base salary, all awarded but unpaid bonus and all accrued but unpaid vacation pay to the effective date of termination;

an amount equal to 24 months of Dr. Atick's base salary at the rate in effect at the date of termination;

an amount equal to the bonus awarded to Dr. Atick for the most recent completed calendar year for which a bonus was determined by the Board of Directors and, if Dr. Atick was terminated following the end of a completed calendar year but prior to the determination of the bonus for that calendar year, an amount equal to the target level bonus for that calendar year;

accelerated vesting of all outstanding but unvested stock options, which will remain exercisable for a period of 36 months after the termination, subject to the maximum original term of such options, and the lapse of all restrictions on stock-based awards (such as restricted stock awards); and

for a 12-month period, COBRA payments or an amount equivalent to COBRA payments to continue his medical, dental and vision benefits, subject to a shorter period if provided by a successor employer, and premium payments or an amount equivalent to then-existing premiums on Dr. Atick's term life insurance.

One-half of the severance payment reflected in the second and third bullet points above is to be paid within five business days of the termination date, with the remainder to be paid on the next business day after the six-month anniversary of the termination date.

*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 of the payments and benefits described in the section concerning Termination Other Than For Cause, with a dollar-for-dollar reduction for any amounts, net of tax, paid under any life insurance, disability insurance or similar benefits provided by the Company.

***Mr. Molina***

*Termination of Employment.* Mr. Molina'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 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; and

any benefits due 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 Company policy.

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 to 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 earned but unpaid base salary, all awarded but unpaid bonus and all accrued but unpaid vacation pay to the effective date of termination;

an amount equal to 24 months of Mr. Molina's base salary in effect at the date of termination;

an amount equal to the bonus awarded to Mr. Molina for the most recent completed calendar year for which a bonus was determined by the Board of Directors and, if Mr. Molina was terminated following the end of a completed calendar year but prior to the determination of the bonus for that calendar year, an amount equal to the target level bonus for that calendar year;

accelerated vesting of all outstanding but unvested stock options, which will remain exercisable for a period of 36 months after the termination, subject to the maximum original term of such options, and the lapse of all restrictions on stock-based awards (such as restricted stock awards); and

for a 12-month period, COBRA payments or an amount equivalent to COBRA payments to continue his medical, dental and vision benefits, subject to a shorter period if provided by a successor employer, and premium payments or an amount equivalent to then-existing premiums on Mr. Molina's term life insurance.

One-half of the severance payment reflected in the second and third bullet points above is to be paid within five business days after the termination date, with the remainder to be paid on the next business day after the six-month anniversary of the termination date.

Change in Control. In the event of any separation of employment with the Company or its successor following a Change in Control, the Company or its successor will pay all costs and expenses arising out of or related to the relocation of Mr. Molina and his family to any location in the mainland United States (or if elected by Mr. Molina, the lump sum cash value thereof). In connection with the Company's pending merger with Safran, Mr. Molina has elected

to receive \$225,000 in lieu of such relocation benefits.

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. 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.

**Mr. D Angelo**

Termination of Employment. Mr. D Angelo'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 and Voluntary Termination. Upon termination for Cause or Voluntary Termination, Mr. D Angelo will be paid:

all accrued but unpaid base salary, and all accrued but unpaid vacation pay to the effective date of termination; and

any benefits due 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 Company policy.

Generally, Cause means Mr. D Angelo's (i) conviction or entering into a plea of no contest relating to any illegal act that materially and adversely reflects on the business, affairs and reputation of the Company; or (ii) material neglect to discharge his responsibilities as an employee of the Company.

Termination Other Than For Cause: Resignation for Good Reason. If Mr. D Angelo's employment is terminated by the Company, the Company fails to continue his position of Senior Vice President Finance and Chief Accounting Officer, the Company reduces his compensation in bad faith, or the Company changes his job location by more than fifty miles, Mr. D Angelo will be paid:

all earned but unpaid base salary, all awarded but unpaid bonus and all accrued but unpaid vacation pay to the effective date of termination;

an amount equal to 12 months of Mr. D Angelo's base salary in effect at the date of termination;

for a 12-month period, COBRA payments or an amount equivalent to COBRA payments to continue his medical, dental and vision benefits, subject to a shorter period if provided by a successor employer, and premium payments or an amount equivalent to then-existing premiums on Mr. D Angelo's term life insurance. Severance is to be paid through salary continuation under the then current payroll practices.

Change in Control. In the event of any separation of employment with the Company or its successor following a Change in Control, all unvested stock options and restricted stock will accelerate in full.

Generally, a Change in Control shall be deemed to occur:

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

Individuals representing the incumbent board, or individuals approved by a majority of the incumbent board, cease for any reason to constitute at least a majority of the board of directors of the Company;

Approval by the stockholders of a merger or consolidation of the Company (i) other than a merger or consolidation that would result in voting securities outstanding immediately prior thereto continuing to represent more than 50% of the combined voting securities of the Company or such surviving entity immediately prior to such merger or consolidation or (ii) a merger or consolidation effected to implement a

recapitalization of the Company in which no person acquires more than 50% of the company's outstanding voting securities, and

Approval by stockholders of the Company of (i) a complete or substantial liquidation or dissolution of the Company or (ii) the sale or disposition of all or substantially all of the assets of the Company.

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**

<b>Executive Payments and Benefits (1)</b>	<b>Termination without Cause or  Resignation for Good Reason (2)</b>	<b>Death or  Disability</b>	<b>In connection with a Change in Control of the Company (2)</b>
Accelerated vesting:			
Stock options (3)	\$ 1,117,950	\$ 1,117,950	\$ 1,117,950
Restricted stock(3)	\$ 2,715,480	\$ 2,715,480	\$ 2,715,480
Severance payment (4)	\$ 1,670,000	\$ 1,670,000	\$ 1,670,000
Continued medical and dental coverage	\$ 14,616	\$ 14,616	\$ 14,616
Tax liability amount (5)			
<b>TOTAL: (5)</b>	<b>\$ 5,518,046</b>	<b>\$ 5,518,046</b>	<b>\$ 5,518,046</b>

- (1) For purposes of this analysis, we have assumed the executive's compensation is as follows: current base salary equal to \$785,000, a targeted annual incentive award opportunity equal to 75% of his base salary, and outstanding stock option awards as reflected in the Outstanding Equity Awards at Fiscal Year-End Table for 2010, on page 24 of this Item 11.
- (2) Assumes the executive's date of termination of employment was December 31, 2010. The market price of the Company's common stock on December 31, 2010 (the last trading date of the fiscal year) was \$11.91 per share. To the extent the market price of the Company's common stock exceeds, or is less than, \$11.91 per share upon an applicable termination of employment, the value of any acceleration of vesting of stock options and restricted stock awards will be correspondingly greater or less, as the case may be. The same benefits and amounts will be payable upon a failure to renew the agreement prior to the expiration of the term of the agreement.
- (3) Represents the excess of \$11.91 over the exercise price of in the money options. For the purposes of this analysis we have assumed the immediate acceleration of all outstanding unvested stock options and the lapse of restrictions on all restricted stock awards upon a change-in-control. All outstanding stock options will remain exercisable for a period of three years from the date of termination of employment, subject to the maximum original term of such options. This extension of the post-termination exercise period has not been separately valued for purposes of this disclosure.
- (4) The amount shown for Severance represents 24 months base salary, plus an amount equal to the bonus paid to Mr. LaPenta for 2009 performance (the last completed fiscal year as of December 31, 2010). However if the Merger is consummated in 2011 the actual payment will be based on the 2010 incentive award of \$206,062 rather than the 2009 incentive award of \$100,000. Fifty percent of this payment is to be made five business days after the termination date, with the remainder to be paid on the next business day following the six month anniversary

of the termination date.

- (5) Assumes a termination of employment without Cause or for Good Reason (each as defined in the employment agreement). Upon an actual termination of employment, tax liability amounts would change to reflect base salary and bonus amounts then applicable, and would reflect the then-applicable value of the accelerated vesting of stock-based awards. The calculation of the potential tax liability amount is based on the value of the accelerated vesting of stock-based awards at a price per share of Company common stock of \$11.91. In addition, for purposes of calculating the potential tax liability we have considered Mr. LaPenta's taxable income for the years 2006 to 2010 as reflected in his W-2, which reflects the impact of the actions taken by the Board at its December 30, 2010 meeting to eliminate the potential tax liability. Had the potential tax liability amount been determined based on Mr. LaPenta's taxable income for the years 2005 to 2009 the hypothetical tax liability amount would have been \$933,813 and the total payments would have been \$6,451,869.

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

<b>Executive Payments and Benefits (1)</b>	<b>Termination without Cause or Resignation for Good Reason (2)</b>	<b>Death or Disability</b>	<b>In connection with a Change in Control of the Company (2)</b>
Accelerated vesting:			
Stock options (3)	\$ 646,725	\$ 646,725	\$ 646,725
Restricted stock(3)	\$ 1,592,963	\$ 1,592,963	\$ 1,592,963
Severance payment (4)	\$ 845,000	\$ 845,000	\$ 845,000
Continued medical and dental coverage	\$ 14,616	\$ 14,616	\$ 14,616
Tax liability amount (5)			
<b>TOTAL:(5)</b>	<b>\$ 3,099,304</b>	<b>\$ 3,099,304</b>	<b>\$ 3,099,304</b>

- (1) For purposes of this analysis, we have assumed the executive's compensation is as follows: current base salary equal to \$395,000, a targeted annual incentive award opportunity equal to 60% of his base salary, and outstanding stock option awards as reflected in the Outstanding Equity Awards at Fiscal Year-End Table for 2010, on page 24 of this Item 11.
- (2) Assumes the executive's date of termination of employment was December 31, 2010. The market price of the Company's common stock on December 31, 2010 (the last trading date of the fiscal year) was \$11.91 per share. To the extent the market price of the Company's common stock exceeds, or is less than, \$11.91 per share upon an applicable termination of employment, the value of any acceleration of vesting of stock options and restricted stock awards will be correspondingly greater or less, as the case may be. The same benefits and amounts will be payable upon a failure to renew the agreement prior to the expiration of the term of the agreement.
- (3) Represents the excess of \$11.91 over the exercise price of in the money options. For the purposes of this analysis we have assumed the immediate acceleration of all outstanding unvested stock options and the lapse of all restrictions on restricted stock awards upon a change-in-control. All outstanding stock options will remain exercisable for a period of three years from the date of termination of employment, subject to the maximum original term of such options. This extension of the post-termination exercise period has not been separately valued for purposes of this disclosure.
- (4) The amount shown for Severance represents 24 months base salary, plus an amount equal to the bonus paid to Mr. DePalma for 2009 performance (the last completed fiscal year as of December 31, 2010). However if Merger is consummated in 2011 the actual payment will be based on the 2010 incentive award of \$106,500 rather than the 2009 incentive award of \$55,000. Fifty percent of this payment is to be made five business days after the termination date, with the remainder to be paid on the next business day following the six month anniversary of the termination date.
- (5) Assumes a termination of employment without Cause or for Good Reason (each as defined in the employment agreement). Upon an actual termination of employment, tax liability amounts would change to reflect base salary and bonus amounts then applicable, and would reflect the then-applicable value of the accelerated vesting of stock-based awards. The calculation of the potential tax liability amount is based on the value of the accelerated vesting of stock-based awards at a price per share of Company common stock of \$11.91. In addition, for purposes of calculating the potential tax liability amount we have considered Mr. DePalma's taxable income for the years 2006 to 2010 as reflected in his W-2, which reflects the impact of actions taken by the Board at the December 2010 meeting. Had the potential tax liability been determined based on Mr. DePalma's taxable income for the years 2005 to 2009 the hypothetical tax liability amount would have been \$500,966 and the total payments would have been \$3,600,270.

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

<b>Executive Payments and Benefits (1)</b>	<b>Termination without Cause or Resignation for Good Reason (2)</b>	<b>Death or Disability</b>	<b>In connection with a Change in Control of the Company (2)</b>
Accelerated vesting: Stock options (3)	\$ 629,550	\$ 629,550	\$ 629,550

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Restricted stock (3)	\$	1,607,850	\$ 1,607,850	\$	1,607,850
Severance payment (4)	\$	850,000	\$ 850,000	\$	850,000
Continued medical and dental coverage	\$	6,828	\$ 6,828	\$	6,828
Tax liability amounts (5)					
TOTAL:	\$	3,094,228	\$ 3,094,228	\$	3,094,228

- (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 60% of his base salary, and outstanding stock option awards as reflected in the Outstanding Equity Awards at Fiscal Year-End Table for 2010 on page 24 of this Item 11.
- (2) Assumes the executive's date of termination of employment was December 31, 2010. The market price of the Company's common stock on December 31, 2010 (the last trading date of the fiscal year) was \$11.91 per share. To the extent the market price of the Company's common stock exceeds, or is less than, \$11.91 per share upon an applicable termination of employment, the value of any acceleration of vesting of stock options and restricted stock awards will be correspondingly greater or less, as the case may be. The same benefits and amounts will be payable upon a failure to renew the agreement prior to the expiration of the term of the agreement.
- (3) Represents the excess of \$11.91 over the exercise price of in the money options. For the purposes of this analysis we have assumed the immediate acceleration of all outstanding unvested stock options and the lapse of all restrictions on restricted stock awards upon a change-in-control. All outstanding stock options will remain exercisable for a period of three years from the date of termination of employment, subject to the maximum original term of such options. This extension of the post-termination exercise period has not been separately valued for purposes of this disclosure.
- (4) The amount shown for Severance represents 24 months base salary, plus an amount equal to the bonus paid to Dr. Atick for 2009 performance (the last completed fiscal year as of December 31, 2010). However if the Merger is consummated in 2011 the actual payment will be based on the 2010 incentive award of \$108,000 rather than the 2009 incentive award of \$50,000. Fifty percent of this payment is to be made five business days after the termination date, with the remainder to be paid on the next business day following the six month anniversary of the termination date.

- (5) Assumes a voluntary termination of employment within 18 months of the Change in Control or a termination without Cause or for Good Reason (each as defined in the employment agreement). Upon an actual termination of employment, tax liability amounts would change to reflect base salary and bonus amounts then applicable, and would reflect the then-applicable value of the accelerated vesting of stock-based awards. The calculation of the potential tax liability amount is based on the value of the accelerated vesting of stock-based awards at a price per share of Company common stock of \$11.91. In addition, for purposes of calculating the potential tax liability we considered Mr. Atick's taxable income for the years 2006 to 2010 as reflected in his W-2. There would have been no change in the potential tax liability amount had Mr. Atick's taxable income been based on the years 2005 to 2009.

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

<b>Executive Payments and Benefits (1)</b>	<b>Termination without Cause or Resignation for Good Reason (2)</b>	<b>Death or Disability</b>	<b>In connection with a Change in Control of the Company (2)(6)</b>
Accelerated vesting:			
Stock options (3)	\$ 436,875	\$ 436,875	\$ 436,875
Restricted stock (3)	\$ 1,116,563	\$ 1,116,563	\$ 1,116,563
Severance payment (4)	\$ 735,000	\$ 735,000	\$ 960,000
Continued medical and dental coverage	\$ 18,828	\$ 18,828	\$ 18,828
Tax liability amounts (5)			
<b>TOTAL:(5)</b>	<b>\$ 2,307,266</b>	<b>\$ 2,307,266</b>	<b>\$ 2,532,266</b>

- (1) For purposes of this analysis, we have assumed the executive's compensation is as follows: current base salary equal to \$345,000, a targeted annual incentive award opportunity equal to 60% of his base salary, and outstanding stock option awards as reflected in the Outstanding Equity Awards at Fiscal Year-End Table for 2010 on page 25 of this Item 11.
- (2) Assumes the executive's date of termination of employment was December 31, 2010. The market price of the Company's common stock on December 31, 2010 (the last trading date of the fiscal year) was \$11.91 per share. To the extent the market price of the Company's common stock exceeds, or is less than, \$11.91 per share upon an applicable termination of employment, the value of any acceleration of vesting of stock options and restricted stock awards will be correspondingly greater or less, as the case may be. The same benefits and amounts will be payable upon a failure to renew the agreement prior to the expiration of the term of the agreement.
- (3) Represents the excess of \$11.91 over the exercise price of in the money options. For the purposes of this analysis we have assumed the immediate acceleration of all outstanding unvested stock options and the lapse of all restrictions on restricted stock awards upon a change-in-control. All outstanding stock options will remain exercisable for a period of three years from the date of termination of employment, subject to the maximum original term of such options. This extension of the post-termination exercise period has not been separately valued for purposes of this disclosure.

- (4) The amount shown for Severance represents 24 months base salary, plus an amount equal to the bonus paid to Mr. Molina for 2009 performance (the last completed fiscal year as of December 31, 2010). However if the Merger is consummated in 2011 the actual payment will be based on the 2010 incentive award of \$93,150 rather than the 2009 incentive award of \$45,000. Fifty percent of this payment is to be made five business days after the termination date, with the remainder to be paid on the next business day following the six month anniversary of the termination date. The severance payments identified above also include a payment of \$225,000 in lieu of certain relocation benefits Mr. Molina would otherwise be entitled to receive upon any separation of employment following the Merger, as further described below.
- (5) Assumes a termination of employment without Cause or for Good Reason (each as defined in the employment agreement). Upon an actual termination of employment, tax liability amounts would change to reflect base salary and bonus amounts then applicable, and would reflect the then-applicable value of the accelerated vesting of stock-based awards. The calculation of the potential tax liability amount is based on the value of accelerated vesting of stock-based awards at a price per share of Company common stock of \$11.91. In addition, for purposes of calculating the potential tax liability we considered taxable income for the years 2006 to 2010 as reported in his W-2, which reflects the impact of the actions taken by the Board at its December 2010 meeting. Had the potential tax liability been calculated based on Mr. Molina's taxable income for the years 2005 to 2009 the hypothetical tax liability would have been \$459,783 and the total payments would have been \$2,992,049.
- (6) In the event of any separation of employment with the Company or its successor following a Change in Control, the Company or its successor will also pay all costs and expenses arising out of or related to the relocation of Mr. Molina and his family to any location in the mainland United States (or if elected by Mr. Molina, the lump sum cash value thereof). Mr. Molina has elected to receive \$225,000 in lieu of relocation benefits in connection with the Merger.



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

<b>Executive Payments and Benefits (1)</b>	<b>Termination without Cause or Resignation for Good Reason (2)</b>	<b>In connection with a Change in Control of the Company (2)(5)</b>
Accelerated vesting:		
Stock options (3)		\$ 68,700
Restricted stock (3)		\$ 476,400
Severance payment (4)	\$ 285,000	\$ 285,000
Long term cash award (6)		\$ 100,000
Continued medical and dental coverage	\$ 948	\$ 948
Cash transaction bonus (7)		\$ 150,000
<b>TOTAL:</b>	<b>\$ 285,948</b>	<b>\$ 1,081,048</b>

- (1) For purposes of this analysis, we have assumed the executive's compensation is as follows: current base salary equal to \$285,000, a targeted annual incentive award opportunity equal to 50% of his base salary, and outstanding stock option awards as reflected in the Outstanding Equity Awards at Fiscal Year-End Table for 2010 on page 25 of this Item 11.
- (2) Assumes the executive's date of termination of employment was December 31, 2010. The market price of the Company's common stock on December 31, 2010 (the last trading date of the fiscal year) was \$11.91 per share. To the extent the market price of the Company's common stock exceeds, or is less than, \$11.91 per share upon an applicable termination of employment, the value of any acceleration of vesting of stock options and restricted stock awards will be correspondingly greater or less, as the case may be.
- (3) Represents the excess of \$11.91 over the exercise price of in the money options. For the purposes of this analysis we have assumed the immediate acceleration of all outstanding unvested stock options and the lapse of restrictions on all restricted stock awards upon a change-in-control. All outstanding stock options will remain exercisable for a period of one year from the date of termination of employment, subject to the maximum original term of such options. This extension of the post-termination exercise period has not been separately valued for purposes of this disclosure.
- (4) The amount shown for severance represents 12 months base salary.
- (5) Assumes termination other than for cause or resignation for good reason in accordance with the terms of Mr. D Angelo's offer letter.
- (6) Represents long term cash award that accelerates upon change in control. Approximately \$33,333 of such award vested and was paid in February 2011.
- (7) Represents transaction bonus that is contingent on and payable upon consummation of the Merger.



### **BOARD OF DIRECTORS COMPENSATION**

On December 10, 2009 the Board of Directors approved a new annual Board of Directors compensation package effective January 1, 2010. On January 6, 2010 the Board of Directors withdrew and revoked the compensation plan adopted on December 10, 2009 and issued each director 3,000 shares of Company common stock pursuant to the Board's previous annual compensation plan. On February 3, 2010, the Board of Directors, based on the recommendation of the Compensation Committee, adopted a new annual compensation program for all non-employee members of the Board of Directors, effective on that date. Pursuant to the new annual Board of Directors compensation program, the annual base-level total direct compensation ( *TDC* ) for each non-employee member of the Board of Directors was increased to \$196,000 in 2010, consisting of a \$96,000 annual cash retainer (payable in equal quarterly installments) and \$100,000 in shares of Company common stock. One full board meeting and two committee meetings per quarter (four board and eight committee meetings per annum) are included without additional charge in the cash retainer. The shares of stock included in the TDC are to be granted on the first business day of each calendar year (the exception being February 3, 2010 for 2010) and the per share value of each share of Company common stock is to be based on the closing price per share of the Company common stock on the NYSE on the date of grant.

The following additional compensation for participating in meetings is paid to directors under the Board of Directors annual compensation program: (i) \$2,000 per Board meeting attended beyond the four included in TDC; (ii) \$1,000 per Board committee meeting attended beyond the eight included in TDC; (iii) \$12,500 per annum (payable in equal quarterly installments) for performing as Lead Director; (iv) \$12,500 per annum (payable in equal quarterly installments) for serving as chairman of the Audit Committee; (v) \$7,500 per annum (payable in equal quarterly installments) for serving as chairman of the Compensation Committee; (vi) \$5,000 per annum (payable in equal quarterly installments) for serving as chairman of any other Board committee (currently only Nominating and Corporate Governance Committee and Marketing Committee); (vii) in the event of any dual chairmanship over any Board committee, the relevant fee will be split equally between the dual chairmen. Additionally, no director shall receive compensation for attending telephonic Board meetings of one hour or less, called for the purpose of providing information updates; provided, however, that any such telephonic call requiring the exercise of independent judgment or discussing subjects substantive and material to the management of the Company or requiring a vote will constitute a meeting subject to appropriate notice and Director compensation as described above. Resolution of any issues related to the interpretation or enforcement of the foregoing terms and conditions will be determined by the Nominating and Corporate Governance Committee.

On February 9, 2010, the Board established the Marketing Committee and approved compensation arrangements for attendance of Marketing Committee meetings in the amount of \$1,000 per meeting.

On June 10, 2010, the Board approved compensation arrangements for attendance of Special Committee meetings in the amount of \$2,000 per meeting. The compensation of the Special Committee was not reviewed by the Compensation Committee in light of the charter of the Special Committee as established by the Board.

On July 27, 2010 the Board of Directors approved a litigation reimbursement policy applicable to directors and executive officers in office as of or after the date of the policy, pursuant to which all current and former Board members and former officers of the Company are entitled to receive \$2,500 per diem as compensation for time and services related to appearances or attendance at any third party proceeding (including without limitation, depositions, court appearances and legal proceedings) in any case related to his or her service as Director or officer, as the case may be. Subsequently, the Nominating and Corporate Governance Committee adopted implementing instructions to clarify the policy, including to define "appearance or attendance" as used in the policy to cover interviewing and selection of legal counsel, conferences in person or telephonically in preparation for pending legal activities, attendance or appearances at any formal or informal legal proceeding, and briefing and debriefing by retained legal counsel.

Under the terms of the Merger Agreement, subject to certain exceptions, the Company is restricted from issuing additional shares of stock. In light of these restrictions, in lieu of the restricted stock grant on January 3, 2011, each non-employee director received \$100,000 in cash (not included in the table set forth below).



**Directors Compensation Table for 2010**

Name (1)	Fees Earned or Paid in				Total (\$)
	Cash (\$ (2))	Stock Awards (\$ (3))	Option Awards (\$ (4))	All Other Compensation (\$ (5))	
B.G. Beck	\$ 135,333	\$ 100,000	\$	\$	\$ 235,333
Milton E. Cooper	140,333	100,000			240,333
Robert S. Gelbard	151,000	100,000			251,000
Malcolm J. Gudis	275,333	100,000		7,500	382,833
John E. Lawler	276,729	100,000		7,500	384,229
James M. Loy	149,875	100,000			249,875
Harriet Mouchly-Weiss	155,333	100,000			255,333
Peter Nessen	291,854	100,000		7,500	399,354
B. Boykin Rose	273,667	100,000		7,500	381,167

(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 standard fee arrangement for non employee directors for 2010 is described above. The following table sets forth the break-down of the fees paid in cash to our non-employee directors during 2010:

Name	Retainer Fees	Chair Fees	Meeting Fees	Total
B.G. Beck	\$ 91,333	\$	\$ 44,000	\$ 135,333
Milton E. Cooper	91,333		49,000	140,333
Robert S. Gelbard	91,333	6,667	53,000	151,000
Malcolm J. Gudis	91,333		184,000	275,333
John E. Lawler	91,333	7,396	178,000	276,729
James M. Loy	91,333	8,542	50,000	149,875
Harriet Mouchly-Weiss	91,333		64,000	155,333
Peter Nessen	91,333	20,521	180,000	291,854
B. Boykin Rose	91,333	3,334	179,000	273,667

The following table set forth the break-down of the meeting fees by committee.

Name	Board	Audit	Compensation	Marketing	Nominating & Corp. Governance	Special Committee	Less	Total
							Quarterly Allotment	
B.G. Beck	\$44,000	\$	\$	\$2,000	\$	\$	\$(2,000)	\$ 44,000
Milton E. Cooper	44,000		7,000	2,000	4,000		(8,000)	49,000
Robert S. Gelbard	46,000		8,000	2,000	5,000		(8,000)	53,000
Malcolm J. Gudis	46,000	9,000	4,000		25,000	108,000	(8,000)	184,000
John E. Lawler	46,000	9,000			25,000	106,000	(8,000)	178,000
James M. Loy	42,000	7,000	8,000				(7,000)	50,000
	42,000		4,000	2,000	24,000		(8,000)	64,000

Harriet Mouchly-Weiss							
Peter Nessen	46,000	9,000		25,000	108,000	(8,000)	180,000
B. Boykin Rose	46,000		8,000	25,000	108,000	(8,000)	179,000

- (3) Pursuant to the Company's standard non-employee director compensation arrangements in effect for the period January 1, 2010 through February 2, 2010, each non-employee director received 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. Effective February 3, 2010, the annual base-level TDC for each non-employee member of the Board of Directors includes \$100,000 in shares of Company common stock. The shares of stock included in the TDC is intended to be granted on the first business day of each calendar year and the per share value of each share of Company common stock will be based on the closing price per share of the Company common stock on the NYSE on the date of grant. In recognition that each non-employee member of the Board of Directors received a grant of 3,000 fully vested shares of Company common stock on January 6, 2010, the dollar value of shares granted on January 6, 2010 was deducted from the \$100,000 of shares of Company common stock granted each non-employee director on February 3, 2010, resulting in a grant of 10,417 restricted shares to each non-employee director. The 10,417 restricted shares granted to each non-employee member of the Board will vest over four years at the rate of 25% annually, so that in the ordinary course, such shares become fully vested after four years from the date of the grant. The vesting of all unvested shares of Company common stock granted under this annual compensation program, in the event of a change of control as defined in Mr. LaPenta's employment agreement, as amended and in effect on the grant date, shall be accelerated to the date of the change of control; furthermore, the vesting of shares shall also accelerate on the date a director terminates service with the Company for any reason other than the director's willful engagement in illegal conduct or gross misconduct which is materially injurious to the Company or the director's willful

engagement in a violation of any federal or state securities laws; additionally, on the date a director terminates service with the Company, all previously granted stock options shall continue to be exercisable until the earlier of (A) that date which is five years from the date of departure from the Board, or (B) for any particular stock option, the original expiration date of such stock option grant. The amounts reported in the Stock Awards column represent the aggregate grant date fair value of the fully-vested stock-based award made to the non-employee directors on January 6, 2010 and February 3, 2010 based on the closing sales price per share of the Company's common stock on the NYSE on such date.

- (4) The Company did not grant any stock option awards to non-employee directors in 2010. For a description of our equity award grant practices for directors, see "Long-Term Incentive Awards" in the Compensation Discussion and Analysis on page 17 in Item 11. The aggregate number of shares underlying option awards outstanding as of December 31, 2010 for each of the non-employee directors was as follows:

Name	Number of Shares	
	Underlying Outstanding Options	Number of Shares Unvested
B.G. Beck	13,000	
Milton E. Cooper	85,140	
Robert S. Gelbard	15,000	
Malcolm J. Gudis	56,760	
John E. Lawler	49,665	
James M. Loy	25,000	
Harriet Mouchly-Weiss	32,667	
Peter Nessen	38,500	
B. Boykin Rose	25,000	

- (5) Per diem compensation for attending, telephonically or in person, briefings or de-briefings by retained counsel pursuant to the Company's director and officer litigation reimbursement policy adopted July 27, 2010 and related implementing instructions.
- (6) During the first quarter of 2011 Directors earned fees for participation in the following meetings: Board of Directors-4 meetings, Audit Committee -2 meetings, Compensation Committee-3 meetings, Nominating and Corporate Governance Committee-1 meeting and Special Committee-8 meetings. In addition, Mr. Nessen participated in two litigation related meetings to which he earned \$5,000 in accordance with the litigation reimbursement policy.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**  
**BENEFICIAL OWNERSHIP OF OUR COMMON STOCK**

Set forth below is certain information as of February 28, 2011, 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.

Name and Address of Beneficial Owner	Securities Beneficially Owned (1) Shares Beneficially Owned	Percentage of Shares Outstanding (2)
<b>Principal Securityholders:</b>		
Aston Capital Partners L.P. (3)	7,619,047	8.44%
L-1 Investment Partners, LLC (4)	7,619,047	8.44%
Dimensional Fund Advisors LP (5)	5,864,476	6.49%
MHR Institutional Partners III LP (6)	6,813,984	7.54%
<b>Directors:</b>		
B.G. Beck (7)	1,128,420	1.25%
Milton E. Cooper (8)	132,287	*
Robert S. Gelbard (9)	54,932	*
Malcolm J. Gudis (10)	103,907	*
John E. Lawler (11)	108,082	*
James M. Loy (12)	48,417	*
Harriet Mouchly-Weiss (13)	76,925	*
Peter Nessen (14)	80,096	*
B. Boykin Rose (15)	48,417	*
<b>Named Executive Officers:</b>		
Robert V. LaPenta (16) <i>Chairman, President, and Chief Executive Officer</i>	13,738,985	15.11%
James DePalma (17) <i>Executive Vice President, Chief Financial Officer and Treasurer</i>	8,161,495	9.00%
Joseph Atick (18) <i>Executive Vice President, Chief Strategy Officer</i>	1,447,869	1.59%
Mark S. Molina (19) <i>Executive Vice President, Chief Legal Officer and Secretary</i>	552,223	*
Vincent A. D Angelo (20) <i>Senior Vice President of Finance, Chief Accounting Officer</i>	193,166	*
<b>Executive Officer:</b>		
Joseph Paresi (21) <i>Executive Vice President, Chief Marketing Officer</i>	7,963,815	8.80%
<b>All Directors and Executive Officers as a Group (22)</b> 16 persons	18,943,486	20.31%

\* 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 90,322,355 shares outstanding as of February 28, 2011.
- (3) The ultimate controlling persons of Aston Capital Partners L.P. ( 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 held by Aston, of which L-1 Partners is the investment manager.
- (5) Based solely on the Schedule 13G/A filed by Dimensional Fund Advisors LP ( Dimensional ) on February 11, 2011. In its role as investment advisor sub-advisor or investment manager, neither Dimensional nor its subsidiaries possess voting and/or investment power over shares of common stock owned by Dimensional, its subsidiaries, trusts and accounts. Dimensional disclaims beneficial ownership of such shares.
- (6) Based solely on the Schedule 13G filed by MHR Institutional Partners III LP ( MHR ) on February 14, 2011. MHR Institutional Advisors III LLC ( MHR GP ) is a Delaware limited liability company that is the general partner of MHR and, in such capacity, may be deemed to beneficially own the shares of common stock held for the account of MHR. MHR Fund Management LLC ( MHR Fund ) is a Delaware limited liability company that is an affiliate of and has an investment management agreement with MHR, and other affiliated entities, pursuant to which it has the power to vote or direct the vote and to dispose or to direct the disposition of the shares of common stock of held for the account of MHR and, accordingly, it may be deemed to beneficially own the shares of common stock held for the account of MHR. Dr. Mark H. Rachesky is the managing member of MHR GP and MHR Fund and, in such capacity, may be deemed to beneficially own the shares of common stock held for the account of MHR.
- (7) Includes 13,000 shares of common stock issuable pursuant to stock options which were exercisable as of February 28, 2011, or which become exercisable within 60 days of such date.
- (8) Includes 85,140 shares of common stock issuable pursuant to stock options which were exercisable as of February 28, 2011, or which become exercisable within 60 days of such date.
- (9) Includes 15,000 shares of common stock issuable pursuant to stock options which were exercisable as of February 28, 2011, or which become exercisable within 60 days of such date.
- (10) Includes 56,760 shares of common stock issuable pursuant to stock options which were exercisable as of February 28, 2011, or which become exercisable within 60 days of such date.
- (11) Includes 49,665 shares of common stock issuable pursuant to stock options which were exercisable as of February 28, 2011, or which become exercisable within 60 days of such date.
- (12) Includes 25,000 shares of common stock issuable pursuant to stock options which were exercisable as of February 28, 2011, or which become exercisable within 60 days of such date
- (13) Includes 32,667 shares of common stock issuable pursuant to stock options which were exercisable as of February 28, 2011 or which become exercisable within 60 days of such date.
- (14) Includes 38,500 shares of common stock issuable pursuant to stock options which were exercisable as of February 28, 2011, or which become exercisable within 60 days of such date.
- (15) Includes 25,000 shares of common stock issuable pursuant to stock options which were exercisable as of February 28, 2011, or which become exercisable within 60 days of such date.
- (16) Includes 580,132 shares of common stock issuable pursuant to stock options which were exercisable as of February 28, 2011, or which become exercisable within 60 days of such date and units in the L-1 Identity Solutions, Inc. 401(k) Plan representing 3,063 shares of common stock. Also includes 7,619,047 shares of common stock held by Aston, as Mr. LaPenta is a managing member of L-1 Partners. Mr. LaPenta disclaims

beneficial ownership of the shares held by Aston.

- (17) Includes 345,180 shares of common stock issuable pursuant to stock options which were exercisable as of February 28, 2011, or which become exercisable within 60 days of such date and units in the L-1 Identity Solutions, Inc. 401(k) Plan representing 3,284 shares of common stock. Also includes 7,619,047 shares of common stock held by Aston. Mr. DePalma is a managing member of L-1 Partners. Mr. DePalma disclaims beneficial ownership of the shares held by Aston.
- (18) Includes 684,829 shares of common stock issuable pursuant to stock options which were exercisable as of February 28, 2011, or which become exercisable within 60 days of such date and units in the L-1 Identity Solutions, Inc. 401(k) Plan representing 3,474 shares of common stock.
- (19) Includes 423,224 shares of common stock issuable pursuant to stock options which were exercisable as of February 28, 2011, or which become exercisable within 60 days of such date and units in the L-1 Identity Solutions, Inc. 401(k) Plan representing 5,572 shares of common stock.
- (20) Includes 131,426 shares of common stock issuable pursuant to stock options which were exercisable as of February 28, 2011, or which become exercisable within 60 days of such date and units in the L-1 Identity Solutions, Inc. 401(k) Plan representing 3,411 shares of common stock.
- (21) Includes 207,107 shares of common stock issuable pursuant to stock options which were exercisable as of February 28, 2011 or which become exercisable within 60 days of such date. Also includes 7,619,047 shares of common stock held by Aston. Mr. Paresi is a managing member of L-1 Partners. Mr. Paresi disclaims beneficial ownership of the shares held by Aston.
- (22) Consists of 2,934,711 shares of common stock issuable pursuant to stock options which were exercisable as of February 28, 2011, or which become exercisable within 60 days of such date, and 16,008,775 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.

**Item 13. Certain Relationships and Related Transactions, and Director Independence**  
**Certain Relationships and Related Transactions**

***Relationship with L-1 Investment Partners, LLC and Aston Capital Partners, L.P.***

*Investment in the Company.* Aston Capital Partners LP (Aston) is a private investment fund organized as a limited partnership and managed by its general partner, Aston Capital Partners GP LLC and L-1 Investment Partners. On December 16, 2005, we issued and sold to Aston, 7,619,047 shares of our common stock at \$13.125 per share as well as warrants to purchase shares of our common stock, all of which subsequently expired unexercised. Prior to its investment in the Company, the Company had no other relationships with L-1 Investment Partners and its affiliates, except that Messrs. LaPenta and DePalma were individual investors in the Company. Robert LaPenta, James DePalma, Joseph Paresi and Doni Fordyce directly and indirectly hold all the beneficial ownership in the general partner and L-1 Investment Partners. Aston has had the right on two occasions to demand that we file a registration statement covering the resale of the shares of our common stock held by Aston.

*Sublease.* In connection with the relocation of the corporate headquarters of the Company to the offices of L-1 Investment Partners in Stamford, Connecticut, the Company entered into a sublease with L-1 Investment Partners, pursuant to which the Company will pay the rent and other costs payable by L-1 Investment Partners until the earlier of (i) the expiration or termination of the lease or (ii) unless otherwise agreed to by the Company and L-1 Investment Partners, as promptly as practicable but in no event later than 60 days following the date upon which Mr. LaPenta ceases to be Chief Executive Officer of the Company for any reason. The Company estimates the costs to be approximately \$720,000 per year. The sublease contains standard representations and warranties by both parties. In addition, the Company covenants to maintain the premises in accordance with the lease; maintain the insurance required to be maintained by L-1 Investment Partners under the lease; use the premises only for the purposes expressly permitted under the lease; and be responsible for obtaining and paying the cost for any utilities the offices require, to the extent that such utilities are not provided by the landlord.

*Non-competition Agreement.* The Company and L-1 Investment Partners are party to a non-compete agreement which among other things, prohibits L-1 Investment Partners and its affiliates from directly advising, performing services for, investing in or entering into any other agreement with any person that competes directly or indirectly with us, which includes without limitation in the world-wide biometric, credentialing and ID management business (other than with respect to investments of L-1 and its affiliates specifically identified in such agreement).

***Retention of Stone Key Partners LLC***

On February 26 and February 28, 2010, the Company entered into an engagement letter with each of Goldman Sachs & Co. (Goldman) and Stone Key Partners LLC and Hudson Partners Securities LLC (Stone Key), pursuant to which they are acting as financial advisors to the Company in connection with the Company's exploration of strategic alternatives to enhance shareholder value. Both Goldman and Stone Key were selected after a competitive evaluation process involving multiple prospective advisors. In connection with their respective engagements, Goldman and Stone Key are entitled to receive customary fees from the Company. These fees, a substantial portion of which are payable in the event a transaction or transactions are consummated, would be allocated approximately 58% to Goldman and 42% to Stone Key. The aggregate transaction fee payable to the advisors would be 1.2% of the transaction value of which 15% was earned upon the delivery of the fairness opinions and the signing of a definitive transaction agreements, which occurred on September 19, 2010. Accordingly, the Company recorded aggregate liabilities for transaction fees and expenses of \$3.0 million of which \$1.3 million is due to Stone Key. The remainder would be earned upon closing of the Safran and BAE transactions. In addition, Stone Key would be entitled to a reduced fee if the Company receives a break up fee or similar payment in connection with the termination of a signed transaction agreement. Similar features apply to the Goldman engagement fee structure and the Company believes such arrangements are customary. Upon successful completion of the merger transaction with Safran described above, the Company will pay Stone Key and Goldman estimated aggregate transaction fees of \$18.9 million of which \$7.9 million is payable to Stone Key.

Michael J. Urfirer, is a co-owner and co-founder of Stone Key's parent company, is Co-Chairman and Co-CEO of Stone Key, and is also the husband of Doni L. Fordyce, our Executive Vice President of Corporate Communications. Mr. Urfirer has confirmed to the Company that he has no specific interest in any fees paid to Stone

Key attributable to his status as co-owner of Stone Key and its affiliates or otherwise. He will not receive any commission, direct participation or similar payment in connection with Stone Key's receipt of any fees. In his capacity as an employee of Stone Key's parent company, Stone Key Group LLC (SKG), Mr. Urfirer receives a salary from SKG which is not based on fees. In addition, in his capacity as the holder of an interest in SKG, Mr. Urfirer is entitled to a percentage of SKG's profits. The profits interest in SKG held by Mr. Urfirer is not a fixed percentage and will vary based on the revenues and expenses of SKG, the operation of

payment priorities in SKG's LLC Agreement and potential future dilution. Under certain scenarios, Mr. Urfirer's interest in SKG's 2010 profits could be equal to but will in no event exceed 50% and therefore, Mr. Urfirer's share of the fee could approximate \$4.0 million, before considering related operating costs and expenses.

Mr. Urfirer and Stone Key's other Co-Chairman and Co-CEO hold personal investments in Aston Capital Partners, L.P. as minority limited partners. Certain of our executive officers, including Mr. LaPenta, Mr. DePalma, Mr. Paresi and Ms. Fordyce, control Aston Capital Partners, L.P. through their ownership interest in the general partner.

#### ***Interests of Certain Persons in the Merger with Safran***

Reference is made to definitive proxy statement filed with the Securities and Exchange Commission on January 3, 2011 relating to the merger with Safran for a description of interests of certain persons in the Merger.

#### ***Relationship with Robert LaPenta, Jr.***

On April 23, 2007, the Company entered into an employee arrangement with Mr. Robert LaPenta, Jr., the son of the Company's Chief Executive Officer, to serve as Vice President, M&A/Corporate Development. In 2010, Mr. LaPenta, Jr. received total cash compensation of \$182,500 in this capacity. On February 9, 2009, Mr. LaPenta, Jr. received a grant of 10,000 shares of restricted common stock and an option to purchase shares of common stock at \$7.74 per share, which is the closing sales price per share on the NYSE on such date. On February 8, 2010, Mr. LaPenta, Jr. received a grant of 10,000 shares of restricted common stock. All such equity grants vest over four years in equal installments. Mr. LaPenta, Jr. will be entitled to a cash transaction bonus of \$175,000 contingent on and payable upon consummation of the Safran Merger.

#### **Procedures for Approval of Related Party Transactions**

Pursuant to the Company's Nominating and Corporate Governance Committee Charter, the Nominating and Corporate Governance Committee reviews and approves any material transaction between the Company and any director or executive officer of the Company (or any person or entity controlled by or controlling such director or officer, or in which such director or officer has a direct or indirect material financial interest). Prior to approving any such transaction, the Nominating and Corporate Governance Committee considers whether such transaction is in the best interests of the Company. If the Nominating and Corporate Governance Committee approves the transaction, the Nominating and Corporate Governance Committee reviews the public disclosure of such transaction prior to such disclosure.

#### **Board Independence Standards for Directors**

Pursuant to our Corporate Governance Policy, 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.

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

**Item 14. Principal Accountant Fees and Services****PRINCIPAL ACCOUNTING FEES AND SERVICES**

The following table sets forth the aggregate fees for services related to the years ended December 31, 2009 and 2010 provided by Deloitte & Touche LLP, our independent registered public accounting firm (amounts in thousands).

	<b>2009</b>	<b>2010</b>
Audit Fees (a)	\$ 2,172	\$ 2,121
Audit-Related Fees (b)	59	15
Tax Fees (c)	9	
<b>Total:</b>	<b>\$ 2,240</b>	<b>\$ 2,136</b>

- (a) Audit Fees represent fees billed for professional services rendered for the integrated audit of our annual consolidated financial statements and our internal control over financial reporting, including reviews of our quarterly financial statements, as well as services provided in connection with other SEC Filings. The amounts for 2010 include fees for professional services rendered for an audit of the Company's Intelligence Businesses.
- (b) Represents assurance and other services not directly related to the audit of the consolidated financial statements
- (c) Tax Fees represent fees for professional services related to tax reporting, compliance and transaction services assistance.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 2nd day of May, 2011.

L-1 IDENTITY SOLUTIONS, INC.

/s/ James A. DePalma

James A. DePalma

Executive Vice President, Chief Financial Officer  
and Treasurer

(Principal Financial Officer)



**EXHIBIT INDEX**

**Exhibit Number    Description**

31.1	Certification pursuant to Exchange Act Rules 13a-14(a) and 15d-14 of the Chief Executive Officer.
31.2	Certification pursuant to Exchange Act Rules 13a-14(a) and 15d-14 of the Chief Financial Officer.