

ON YOUR WING

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L-3 MAS: BLUE SKIES AHEAD

L - 3 MAS



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L-3 MAS TODAY, POWERED BY NEW ENERGY!

At L-3 MAS, 2007 was a banner year. At the heart of our success was continued performance on our core programs, providing 98% on-time deliveries with an exceptional quality record for our customers. The new year is shaping up to prove even more productive and exciting, with a number of challenging projects in hand and progressing well—and with a host of new business opportunities on the horizon, including new contracts in Spain and Finland, an expanded Australian program and activities in every sector: CF-18, C-130, helicopters and Unmanned Aircraft Systems (UAS). You will read about many of these in this new issue of *On Your Wing*.

First and foremost, you will see our sister company L-3 SPAR, has joined L-3 MAS, increasing our capabilities and raising our profile in the In-Service Support (ISS) marketplace. Our work on Canada's Maritime Helicopter Program (MHP) is well underway, with the set-up phase of the Maritime Helicopter Weapon System (MHWP) nearing completion. At Mirabel, the production line for our Centre Barrel Replacement (CBR) program in support of the Royal Australian Air Force's Hornet Upgrade (HUG) program is completing its second prototype and is eagerly awaiting the arrival of two of the eight production aircraft to be upgraded by our experienced team. Without a doubt, L-3 MAS today is definitely powered by renewed energy!

Meanwhile, in every corner of every facility, employees continue to engage in continuous improvement programs. Their goal? To reduce cycle times, increase quality, and reduce costs to enable us to better serve our valued customers.

On behalf of all of us at L-3 MAS, I wish you the very best in 2008, and I encourage you to call on us if there is any way in which we can contribute to your success.

We are always on your wing.

Sylvain Bédard
President
L-3 MAS

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L-3 SPAR INTEGRATES INTO L-3 MAS TO FORM CANADA'S FOREMOST INTEGRATED ISS PROVIDER

CANADA'S IN-SERVICE SUPPORT LEADER

L-3 MAS and L-3 SPAR, two of the most respected names in Canadian aerospace come together at last, making L-3 MAS Canada's most important In-Service Support (ISS) provider for military aircraft.

L-3 MAS has been a major player in the aerospace industry for more than 20 years, first as Canadair and then Bombardier Aerospace, establishing unrivalled expertise and reputation for excellence that are today recognized by its customers.

"Our long-standing experience in aircraft support for Canada's Department of National Defence is unmatched," said L-3 MAS President, Sylvain Bédard, referring to a breadth of experience that covers 20 years of maintenance and ISS for the CF-18 Hornet, ISS prime for the CH-148 Cyclone helicopter, and 40 years of heritage on Unmanned Aircraft Systems (UAS). "Quality and innovation are keys to our success, and we strive every day to meet and even exceed the expectations of our customers and partners. Our steady growth over the years demonstrates that our focus must be right," Bédard said.

The decision was taken in 2008 to build on this success at L-3 MAS by integrating L-3 SPAR under L-3 MAS' leadership.

For more than 45 years, Edmonton-based L-3 SPAR has built a proud legacy through its support of the Canadian fleet of C-130 Hercules and its strong relationship with Lockheed Martin. L-3 SPAR's knowledge and expertise on this platform are unsurpassed. L-3 SPAR offers the breath of its expertise through HERC2020, the only end-to-end solution offered by a single provider to extend the service life of a C-130 by 20 years.

Over the years, SPAR has also built a strong reputation in key international markets—an advantage that will serve L-3 MAS well in the years ahead. Its customer base includes Argentina, Australia, Chile, Greece, Jordan, Malaysia, Mexico, New Zealand, Norway, Sweden and the United States.

The integration of SPAR into MAS will be seamless to both companies' customers. SPAR will be operated within the MAS organizational structure.

From its Canadian bases in Bagotville, Cold Lake, Edmonton, Fredericton, Shearwater, and Trenton and its Australian home in Williamstown, L-3 MAS is unquestionably well positioned for growth. Key Canadian opportunities in 2008 include ISS for C-130Js, UAVs, Chinook helicopters and a number of legacy DND fleet. "We are confident our track record will serve us well," Bédard said. "We look forward to new opportunities to put our expertise and dedication to work both for the Canadian government and in the global arena."



THE STRENGTHS OF TWO, THE POWER OF ONE

BRINGING TOGETHER THE STRENGTHS AND EXPERTISE OF
L-3 MAS AND **L-3 SPAR**, THE NEW **L-3 MAS** IS SURE TO BE GREATER THAN
THE SUM OF ITS PARTS

- ▶ Strong reputation for quality, on-time delivery and expertise
- ▶ Leading provider of aircraft fleet management, product-life extension and ISS
- ▶ Largest military aerospace maintenance organization in Canada
- ▶ 20 years of CF-18 Hornet fleet management
- ▶ 45 years C-130 fleet management
- ▶ ISS prime for CH-148 Cyclone helicopters
- ▶ Fully accredited for aircraft airworthiness, maintenance, repair and material management
- ▶ Depth and strength of engineering and program management capacity
- ▶ Delivered over 700 unmanned vehicle systems over 40 years
- ▶ High visibility and extensive experience in key international markets
- ▶ The only Lockheed Martin approved service centre for the C-130 Hercules in North America



BLUE SKIES AHEAD

CF-18: 20 YEARS OF EXPERIENCE SETTING THE STAGE FOR INTERNATIONAL GROWTH

On the international front, L-3 MAS has been awarded several new contracts for centre barrel replacements to Australia's fleet of F/A-18s. This effort builds on years of solid performance and strong relations with the Royal Australian Air Force (RAAF), and local industry partners. We expect this success to lead to further success in 2008, both in additional centre barrel replacement work, and in thru-life support opportunities in Australia.

L-3 MAS also signed two new European contracts in January 2008. The first, with the Spanish Air Force, is for a fleet fatigue study that leverages L-3 MAS life extension expertise. This contract is seen as the first step in working with both the Spanish Air Force and local Spanish industry to provide critical structural life extension solutions for the F/A-18 airframe to ensure years of additional service. The second contract is with Patria, the primary support contractor of the Finnish Air Force (FIAF) to supply a complete robotic solution for machining and shot peening F/A-18 In-board Leading Edge Flaps (ILEF). L-3 MAS developed the robotic system in-house, and has successfully used the solution to repair Canadian and Australian ILEFs. We expect this to be the first step in broadening a business relationship with these new international relationships.

Through our strategic partner, Boeing, L-3 MAS continues to repair outer wing panels for the US Navy (USN), and intends to expand the relationship to include the repair of USN ILEFs in early 2008, using our robotic shot peening capability.

L-3 MAS' production line for custom-designed F/A-18 pylons has been re-opened. These pylons carry Northrop Grumman's Forward Looking Infrared (FLIR) Litening Pods on Station 4 of the F/A-18. The first of two expected contracts for pylons has already been awarded.

At home in Canada, L-3 MAS expects to leverage the success of its existing Periodic Augmentation Team (PAT) in Bagotville to establish a similar capability in Cold Lake. The team will

assist DND in managing the challenges associated with technician attrition and experience.

L-3 MAS also sees opportunity in assisting DND with upgrading its CF-18 Defensive Electronic Warfare Systems (DEWS), and we are positioning ourselves to support DND in installing both a new Radar Warning Receiver (RWR) and Electronic Warfare (EW) countermeasures capability on the CF-18.

Finally, but perhaps most importantly, the Systems Engineering Support Contract (SESC) is now 20 years old and L-3 MAS is poised to continue this long-standing partnership with DND through a long-term Optimized Weapon System Management (OWSM) contract for the CF-18. L-3 MAS has made significant strides in encompassing the principles of OWSM into its current CF-18 support contract, including improved aircraft availability, airworthiness accreditation, firm fixed price accountability, continuous improvement, and ultimately greater value for money to DND. A few examples of these value initiatives include: 30% reduction in turn-around time for major structural repairs, 30% reduction in turn-around time for periodic inspections, adding more than 10 years to fleet life expectancy through advanced engineering, and saving more than \$30 million using advanced robotic processes for DND. L-3 MAS is currently working with the Canadian government in preparation for a CF-18 Prime Air Vehicle (PAV) OWSM contract that will ensure continued support of the fleet until the 2017–2020 timeframe.





CANADA'S LEADER IN IN-SERVICE SUPPORT

L-3 MAS' extensive experience in all aspects of In-Service Support positions us well for several domestic opportunities

TACTICAL LIFT AIRCRAFT: C-130J

In January 2008, the Canadian government awarded a contract to Lockheed Martin Corporation for the acquisition and 20 years of In-Service Support (ISS) for 17 C-130J "Super Hercules" tactical lift aircraft. Lockheed Martin will seek Canadian partners for the ISS effort, through a series of competitions in 2008. L-3 MAS is well positioned for the role, offering a combined total of more than 60 years of Weapon System Support to Canada. In addition, L-3 SPAR is the only North American facility approved by Lockheed Martin for C-130 support.

HELICOPTERS

Boeing is expected to sign a contract with Canada in 2008 for 16 CH-47 Chinook helicopters. If successful, Boeing will be looking for Canadian companies to establish a 20-year ISS program for the new fleet. L-3 MAS has a long standing relationship with Boeing and has just developed a comprehensive ISS solution for Canada's Maritime Helicopter Program. This, combined with the extensive Weapon System Management expertise related to the CF-18 and C-130 Hercules, makes L-3 MAS a supplier of choice for this work.

UNMANNED AIRCRAFT SYSTEMS

Unmanned Aircraft Systems (UAS) are complex arrangements of aircraft and payloads, communications links, control stations, personnel and support equipment. Managing these weapon systems is a natural role for L-3 MAS. Competition is currently open for several Canadian Forces UAS requirements aimed at supporting Canada's deployed troops, including the Land Forces Intelligence, Surveillance, Target Acquisition and Reconnaissance (LFISTAR) Small Unmanned Aircraft System (SUAS) and the Joint Force's requirement for a long-endurance line-of-sight UAS, which is known as NOCTUA.

The contractor for the LFISTAR SUAS will routinely provide up to 36 hours of UAS services per day from a main operating base. Despite the long endurance requirements, the aircraft must weigh less than 83 kg and be proven in operational deployments. Contractor personnel will provide all launch and recovery operations and all maintenance functions while deployed. There is also a requirement to provide individual and team training for both contractors and military personnel, as well as for a support system to ensure that the CF's performance criteria are achieved. L-3 MAS is teamed with L-3 BAI, provider of the reliable, flexible and extremely capable Viking 100 UAS.

For the \$120 million Project NOCTUA initiative, L-3 MAS has joined forces with Thales Group UK Limited, Elbit Systems Ltd. of Israel and Thales Group Canada Limited to offer the advanced Hermes family of UAS. These systems have a distinct advantage over competing solutions by combining MALE capabilities with tactical footprints. The NOCTUA aircraft will be runway-launched and provide wide-area coverage to support Canadian Forces' deployments.

FIXED WING SEARCH AND RESCUE: C-27J

Canada has announced an urgent requirement to acquire 15 new fixed wing Search and Rescue (SAR) aircraft to replace their aging Buffalo and Hercules fleets. The C-27J "Spartan" is considered the leading contender for Canada's FWSAR program. The OEM, Alenia Aeronautica and L-3 Integrated Systems teamed to successfully win the Joint Cargo Aircraft (JCA) program, a potential sale of up to 300 to 400 C-27Js to the US Air Force.

L-3 MAS is a division of L-3 IS and by extension, ideally positioned to leverage the JCA program and the unique benefit of low-risk, mature solutions for the C-27J aircraft, should it be deemed the choice for FWSAR.

EXCITEMENT IN THE AIR AT MIRABEL



In early April 2008, an Antonov cargo plane will touch down at L-3 MAS, Mirabel. Its arrival will mark the beginning of the second production phase of the Hornet Structural Refurbishment Program (SRP2), essential to maintaining Australia's air combat capability.

What began as a single contract has become an on-going partnership, and today L-3 MAS is preparing to welcome its latest manifestation—the production at its Mirabel facility of the first two of eight centre barrel replacements scheduled for replacement on RAAF F/A-18 Hornet aircraft.

L-3 MAS has been under contract with the Australian Defence Material Organisation (DMO) since day one of the Royal Australian Air Force (RAAF) Hornet Structural Refurbishment Program (SRP). Its goal: to extend the service life of the RAAF's fleet beyond 78%, up to 100% of its fatigue life.

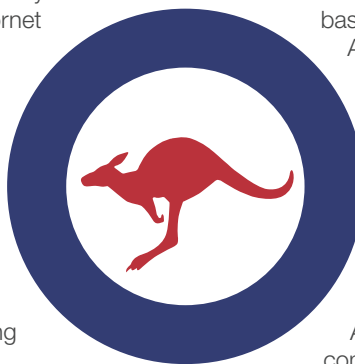
In the years since the SRP's inception, L-3 MAS has consistently delivered quality program and structural engineering solutions while working closely with the customer to develop low-risk solutions adapted to the DMO's evolving requirements.

These outstanding results could not have been achieved without the support of the Canadian Air Force, the dedication and the motivation of the L-3 MAS team. Today, employee excitement and energy are running high as final preparations are made for the induction of the first two of eight SRP2 aircraft, scheduled to arrive in April 2008. A dedicated production team is fully focused on the preparation of a dedicated hangar at L-3 MAS, where equipment supporting two production lines operating two shifts will await the first arrivals. In parallel, a team of engineers from various disciplines is finalizing

the incorporation of post-prototype changes into the modification package and tool kits. Finally, the material management team is working closely with the customer's supply chain managers to ensure that the new centre barrels and their associated 20,000 parts are kitted and available on time to support production. Needless to say, this is a true team effort.

Meanwhile, 'Down Under', at the Hornet home base, L-3 MAS is working with Boeing Australia and BAE Australia to deliver best value to the customer while supporting local industry. L-3 MAS will subcontract the SRP2 pre-CBR teardown and post-CBR rebuild to BAE, while maintaining engineering and customer support for the existing SRP production lines at Boeing and BAE.

L-3 MAS is proud of its place on Australia's SRP team and remains committed to offering balanced solutions meeting both the strategic and program requirements of the RAAF and Australia's DMO.





IN-SERVICE SUPPORT FOR CANADA'S MARITIME HELICOPTER TAKING SHAPE

Together with partners General Dynamics Canada (GD Canada) and Sikorsky International Operation Incorporated (SIOI), and in collaboration with the Department of National Defence (DND), L-3 MAS has undertaken the challenge of setting up an Optimized Weapon System Management (OWSM) operation within three years of the awarding of the contract. Today, that operation is coming to fruition.

During the last 12 months, L-3 MAS has designed an In-Service Support (ISS) infrastructure, which includes all technological elements the CH-148 Cyclone fleet requires for mission success: hardware, software, processes, physical infrastructure and 'brainware'.

HARDWARE AND SOFTWARE: THE BASIC BUILDING BLOCKS

State-of-the-art hardware configurations and best-of-breed software packages constitute the backbone of the Information System and Information Technology that will enable the OWSM operation. These tools allow the performance of critical functions like Configuration Management, Computerized Maintenance Management, Fleet Management, Technical Publication in the form of Interactive Electronic Technical Manuals, Life Cycle Material Management and many other logistic services.

All of these enablers have now been installed and demonstrated, and feasibility studies have gone so far as to validate interoperability with the DND Information System (DNDIS). Along with partner xwave, L-3 MAS has also succeeded in combining all of these tools into a single Integrated Information Environment (IIE)—a first in the world of Integrated Logistic Support.

PROCESSES: THE KNOW-HOW TO SUCCEED

Enablers alone are not enough. The right processes are required to optimize Integrated Logistic Support methodology. With a heritage of more than 25 years in maintenance management and operation, L-3 MAS has the know-how for the task. It also has the advantage of the latest industry guidelines, including ISO/IEC 15288 Systems Engineering (System Life Cycle Standard) and the CMMI Level 3 Guideline for Process Integration and

Product Improvement to ensure process quality and adequacy.

Together, these factors will enable L-3 MAS to develop optimized processes for the delivery of every phase, from systems engineering design through the transition and the deployment and steady state operation of all logistics services. The goal in developing the processes is to assure weapon system availability for Canadian Forces anytime, anywhere, through responsive and effective ISS.

PHYSICAL INFRASTRUCTURE: HOME TO A PAN-CANADIAN OPERATION

Inspired by the processes developed by L-3 MAS, SIOI and GD Canada maintenance plans and the standards specified by DND, infrastructure for the Maritime Helicopter is being designed and built. A remarkable team effort has yielded the Maritime Helicopter Training Centre (MHTC) and state-of-the-art maintenance and operation facilities in Shearwater. Public and private sector collaboration has created a demand for sharing processes and information, resulting in a value-added proposition for both DND and the Maritime Helicopter contractor team. This kind of integration is a first in Canada's aerospace industry.

'BRAINWARE': THE ULTIMATE TECHNOLOGY

The fourth and most important component, 'brainware' comprises a dedicated team of more than 100 professionals, focused on the delivery of all contractual milestones. This team is the integrator of all hardware, software, processes and infrastructure—the ultimate force behind the realization of OWSM. Its work represents a crucial springboard for Canada's Maritime Helicopter Program (MHP), propelling it toward success in the coming years. As with all technological projects undertaken at L-3 MAS, OWSM will be achieved through the expertise and commitment of its employees, and through their hard work and dedication, the Maritime Helicopter Weapon System will fulfill the goal of perpetual mission readiness.



CONTINUOUS IMPROVEMENT AT L-3 MAS

500 EMPLOYEES PARTICIPATED IN A TACTIC WORKSHOP IN 2007

Constant improvement is not only intrinsic to operations at L-3 MAS, it's part of the culture, and its cornerstone is the employees themselves. Throughout the organization, in each department and every facility, the people of L-3 MAS, because they are dedicated to excellence, make the difference.

THE TACTIC PROGRAM

A made-to-measure program, TACTIC integrates best practices aimed at process improvement, training and lean manufacturing. At the same time, it reflects L-3 MAS values:

PARTNERSHIP

All improvement activities are undertaken for and with customers, suppliers and employees.

AGILITY

Improvement is ongoing in every sector of the organization and welcomes initiative and innovation.

ENJOYMENT AND EXCITEMENT

Forging good relationships and an inspiring work environment is a great way to motivate our teams and thrive on improvement.

REDUCED CYCLE TIMES

One of the results of programs like TACTIC is reduced cycle time—most recently in two areas: the number of days involved in typical repairs on CF-18 aircraft, which have been brought down from 174 to 150, and in the cycle time for aluminum bushings requested by the Defect Report and Engineering Disposition (DRED). The Short Order Shop produces some 2,000 types of bushings, and DRED accounts for about one third of the cycle time. By eliminating certain operations with no added value, the cycle time on these bushings has been reduced by a dramatic 70%.

Cycle times affect production capacity as well as machine start-up times and frequency. A three-day Kaizen workshop held last summer resulted in significant reductions in both on one machine. Start-up time was reduced by 30% and frequency by 25%.

EXTERNAL RECOGNITION

The results of continuous improvement programs are also evident in the external accreditations L-3 MAS has earned. These include AS9100 Quality Management System (QMS), which was successfully renewed following intensive internal review and external audit. The ultimate results were drawn from internal indicators, customer

feedback and the progress made on the previous year's quality objectives. L-3 MAS passed the rigorous external examination with a 99.5% average.

L-3 MAS has also earned accreditation and reaccreditation from the National Aerospace and Defense Contractors Accreditation Program (NADCAP) for chemical processes and heat treating, respectively. A cooperative program of major aerospace companies, NADCAP sets severe criteria for their suppliers and imposes strict audits to ensure that their suppliers are compliant. Earning NADCAP approvals is a long journey requiring the dedicated work of a multidisciplinary team. Along the way, many procedures have been corrected, training sessions given, and control and analysis steps added. As a result, greater control over processes and faster reaction to discrepancies has been achieved, for superior constant quality for all customers.

L-3 MAS received its first ISO 14001 certification in 2002, and has recently celebrated its second triennial renewal. The ISO 14001 standard covers 17 elements examined by an external auditor. Its basic element is the company's commitment to environmental protection.

L-3 MAS is also certified ISO 9001:2000. It meets Transport Canada Civil Aviation (TCCA) requirements as an Approved Maintenance Organization (AMO) and Design Approval Organization (DAO), Canadian Aviation Regulations Chapter 573, and carries the European Aviation Safety Agency (EASA) JAR-145 Acceptance Certificate, as well as CMMI Level 3.

