L-1 IDENTITY SOLUTIONS, INC.
Form 11-K
June 26, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2008

OR

o TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to ________

Commission file number: 001-33002

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

L-1 IDENTITY SOLUTIONS, INC. 401(K) PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

L-1 IDENTITY SOLUTIONS, INC.

177 Broad Street

Stamford, Connecticut 06901

L-1 IDENTITY SOLUTIONS, INC.

L-1 IDENTITY SOLUTIONS, INC. 401(K) PLAN (the “Plan”)

YEAR ENDED DECEMBER 31, 2008

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Report of Independent Registered Public Accounting Firm

To the Plan Administrator

L-1 Identity Solutions, Inc. 401(k) Plan

We have audited the accompanying statements of net assets available for benefits of the L-1 Identity Solutions, Inc. 401(k) Plan (the "Plan") as of December 31, 2008 and 2007, and the related statement of changes in net assets available for benefits for the year ended December 31, 2008. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2008 and 2007, and the changes in net assets available for benefits for the year ended December 31, 2008, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the financial statements, the Board of Directors of L-1 Indentity Solutions, Inc., the Plan's sponsor, voted on April 1, 2008 and July 29, 2008, to merge the Identix 401(K) Plan and the Digimarc Company Contribution Plan and Digimarc 401(K) Plan into the Plan effective April 4, 2008 and November 3, 2008, respectively. All plan assets were transeferred to the Plan on the respective effective dates.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedules of assets (held at end of year) and delinquent participant contributions as of or for the year ended December 31, 2008, are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by the United States Department of Labor Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ McGladrey & Pullen, LLP

McGladrey & Pullen, LLP

Stamford, Connecticut

June 26, 2009

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L-1 Identity Solutions, Inc. 401(k) Plan

Statements of Net Assets Available for Benefits

December 31, 2008 and 2007

	December 31, 2008	2007
Assets		
Investments, at fair value (Notes 2 and 3)		
Mutual funds	$24,608,426	$13,454,312
Common/collective trust	5,522,529	2,311,627
Participant loans	918,033	171,557
Total investments	31,048,988	15,937,496
Receivables:		
Employer contributions	186,353	56,112
Employee contributions	69,894	22,327
Other (Note 8)	-	2,567
Total receivables	256,247	81,006
Net Assets Available for Benefits, at Fair Value	31,305,235	16,018,502
Adjustment from fair value to contract value for interest in common/collective trust relating to fully benefit-responsive investment contracts	244,781	9,190
Net Assets Available for Benefits	$31,550,016	$16,027,692

See Notes to Financial Statements.

L-1 Identity Solutions, Inc. 401(k) Plan

Statement of Changes in Net Assets Available for Benefits

Year Ended December 31, 2008

	December 31, 2008
Additions to net assets attributed to:	
Investment (loss) income:	
Net depreciation of investments (Note 2)	$(11,917,465)
Interest and dividend income	1,093,938
Total investment loss	(10,823,527)
Contributions:	
Employees	3,743,021
Employer	1,719,600
Rollovers	653,848
Total contributions	6,116,469
Transfer of net assets from merged plans (Note 1)	23,165,755
Total additions, net	18,458,697
Deductions from net assets attributed to:	
Benefits paid to participants	2,911,303
Administrative expenses	25,070
Total deductions	2,936,373
Net Increase	15,522,324
Net assets available for benefits:	
Beginning of year	16,027,692
End of year	$ 31,550,016

See Notes to Financial Statements.

L-1 IDENTITY SOLUTIONS, INC. 401(K) PLAN

NOTES TO FINANCIAL STATEMENTS

1. DESCRIPTION OF THE PLAN AND SIGNIFICANT ACCOUNTING POLICIES

The following description of the L-1 Identity Solutions, Inc. 401(k) Plan (the "Plan") provides only general information. Participants should refer to the Plan Agreement and Summary Plan Description for a more complete description of the Plan's provisions.

General and Eligibility: The Plan is a defined contribution plan covering substantially all employees, excluding leased employees, of L-1 Identity Solutions, Inc. (the "Company"). Eligible employees of the Company over age 21 may join the Plan commencing on the first day of the month coinciding with or next following the date on which such Plan requirements are satisfied. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"). Effective April 4, 2008, the Identix 401(k) Plan was merged into the Plan. In November 2008, participants in both the Digimarc Company Contribution Plan and the Digimarc 401(k) Plan transferred assets to the Plan, which was also treated as a plan merger.

Contributions: Participants may contribute a percentage of eligible compensation to the Plan, subject to certain Internal Revenue Code ("IRC") limitations. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans.

Participants who have attained age 50 before the end of a calendar year may elect to defer additional amounts (called “catch-up contributions”) to the Plan as of January 1st of that year. The additional amounts may be deferred regardless of any other limitations on the amount that these participants defer to the Plan. The maximum catch-up contribution that can be made in 2008 is $5,000.

The Company may make a discretionary matching contribution, to be determined annually based on a percentage of the employees’ pretax contributions, but subject to a maximum 4% of the employees’ eligible compensation contributed to the Plan. The Company made matching contributions in units of the Unitized L-1 Stock Fund. The Company may also make discretionary profit sharing contributions, of which there were none during the year ended December 31, 2008. Contributions were subject to certain limitations.

Participant Accounts: Each participant's account is credited with the participant's contribution, the Company matching contributions (if any), and allocations of Plan earnings and administrative expenses. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Investment Options: Participants may direct contributions to mutual funds or other investment options chosen by the Company. Participants may change their investment options at any time.

Vesting: Participants are immediately vested in their voluntary contributions plus actual earnings thereon. Participants' accounts, with respect to the employer's contributions, vest based on the Division in which they are employed. Employer contributions vest ratably over time, ranging from immediate vesting to graded vesting of 25% after one year of employment to 100% after four years of employment.

Forfeitures: Nonvested forfeitures may be used to pay employer contributions. Forfeitures available to offset against employer contributions are $189,441 and $110,612 at December 31, 2008 and 2007, respectively. During 2008, $76,282 of forfeitures were used to reduce employer contributions.

Unitized L-1 Stock Fund: In April 2008, the Plan introduced the Unitized L-1 Stock Fund (the “Fund”) and the majority of the fund is made up of L-1 Company Stock and the rest is invested in a short-term investment fund (“STIF”). The STIF component allows participants to execute daily transactions into and out of the Fund. Participants transact at the net asset value (“NAV”) of the Fund, rather than the stock price, and receive “units” of the participation rather than shares. These units can be converted to share equivalents and allow processing similar to holding actual shares of L-1 common stock for receipts of dividends, proxy voting and in-kind withdrawals. There is a per share commission that is reflected in the Net Asset Value of the L-1 Stock Fund. The Fund absorbs the commission charge. Additionally, there are no restrictions to sell units of the L-1 Stock Fund except as required by Federal Securities Laws or by Company policies.

Payment of Benefits: Under the Plan, withdrawals may be made from the participant's account for in-service distributions and hardship. An in-service distribution is allowed if an active participant has reached the age of 59-1/2. Hardship withdrawals are allowed if certain criteria are met. If a participant terminates service, the entire amount in his or her salary deferral account and the vested portion of his or her employer account may be distributed or rolled over in the form of a lump-sum payment or distributed in installment payments, as directed by the participant, if the account balance exceeds $5,000, otherwise, the vested portion will be distributed in a lump-sum payment. If continuous service is terminated by death, disability, or retirement, the entire balance is distributed in the form of a lump-sum payment.

Benefits are recorded when paid.

Participant Loans: Participants may borrow from their accounts a minimum of $1,000 up to a maximum equal to the lesser of $50,000 or 50% of their vested account balance. Loan terms cannot exceed five years or, if a participant requests a loan for the acquisition of a principal residence, the loan may have a term of up to thirty years. The loans are secured by the vested balance in the participants' accounts and bear interest at rates ranging from 5.0% to 10.25% which represent fixed rates determined by the Plan Administrator based upon the prevailing interest rates charged by persons in the business of lending money for loans. Principal and interest is paid ratably through payroll deductions. In the case of termination of employment, the entire outstanding loan balance is immediately due and payable.

Termination of the Plan: Although it has not expressed any intent to do so, the Company has the right to alter, amend or terminate the Plan by action of its Board of Directors, subject to the provisions of ERISA. In the event of termination, each participant will automatically become 100% vested in his or her account balance and distributions shall be made in accordance with the provisions of the Plan.

Administrative Expenses: Certain administrative expenses of the Plan are paid directly by the Company.

Basis of Accounting: The financial statements of the Plan are prepared on the accrual basis of accounting.

Investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Plan invests in investment contracts through a collective trust. Contract value for this collective trust is based on the net asset value of the fund as reported by the investment advisor. The Statement of Net Assets Available for Benefits presents the fair value of the investment in the collective trust as well as the adjustment of the investment in the collective trust from fair value to contract value relating to the investment contracts. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Investment Valuation and Income Recognition: The Plan's investments are stated at fair value as described below. Investment transactions are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. The net appreciation in the fair value of investments reported in the statement of changes in net assets available for benefits includes realized gains and losses on sales during the year and current year changes in unrealized gains or losses based on the fair value of investments held at year end.

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements* (SFAS 157) which defines fair value, establishes a framework for measuring fair value under current accounting pronouncements that require or permit fair value measurement and enhances disclosures about fair value measurements. Effective January 1, 2008, the Plan adopted SFAS 157. SFAS 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value. The adoption of SFAS 157 did not have a material impact on the Plan's financial statements.

The standard describes three levels of inputs that may be used to measure fair value:

- Level 1 — Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;
- Level 2 — Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies; and
- Level 3 — Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Mutual Funds — Investments in publicly traded mutual funds are valued using the Net Asset Value (NAV) provided by the administrator of the fund. The NAV is based on the fair value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market and classified within level 1 of the valuation hierarchy.

Investments in the Unitized L-1 Stock Fund are valued based on cash held in the account plus the ending quoted closing price of the common stock of L-1 Identity Solutions, Inc. that is held by the account on the last day of the Plan year and is classified within level 1 of the valuation hierarchy.

Common and Collective Trust —The common/collective trust account is stated at fair value ($1/share) as reported by the Plan's trustee. Units in a common/collective trust account are not traded on securities exchanges but are redeemable only by the issuer. The value of the Plan's investment in common/collective trust represents the value of the Plan's interest in the overall value of the common/collective trust.

Loans to Participants — Loans to plan participants are valued at amortized cost, which approximates fair value and are classified within level 3 of the valuation hierarchy.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes it valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

2. INVESTMENTS

Except for its investment in a common/collective trust, the Plan’s investments are held in shares of mutual funds. The following table presents investments. Investments that represent 5% or more of the Plan’s net assets are separately identified.

	December 31, 2008	2007
Investments, at fair value:		
Managed Income Portfolio	$3,519,594	$ -
PIMCO Total Return Fund Administrative Class	3,104,879	-
American Funds Growth Fund of America Class R4	2,059,556	