

TELECOMMUNICATION SYSTEMS INC /FA/
Form DEF 14A
April 30, 2012
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SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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

(Amendment No.)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only** (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

TeleCommunication Systems, Inc.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

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

(1) Amount previously paid:

(2) Form, schedule or registration statement no.:

(3) Filing party:

(4) Date filed:

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275 West Street

Annapolis, Maryland 21401

May 7, 2012

Dear Fellow Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders (Annual Meeting) of TeleCommunication Systems, Inc. (TCS) to be held on Thursday, June 14, 2012, at 10:00 a.m. local time, at The Westin Annapolis hotel, 100 Westgate Circle, Annapolis, MD 21401. The business to be conducted at the Annual Meeting is set forth in the formal notice that follows.

The Board of Directors urges you to read the accompanying Notice of Annual Meeting and Proxy Statement, and recommends that you vote:

FOR the election of three Class II director nominees to hold office until the Annual Meeting of Stockholders to be held in 2015 and until their successors are duly elected and qualify.

Your vote is important. Whether or not you plan to attend the Annual Meeting, it is important that your shares be represented. We rely upon all stockholders to execute and return their proxies in order to avoid proxy solicitation expenses. Therefore, in order to save TCS the unnecessary expense of further proxy solicitation, I ask that you promptly sign and return the enclosed proxy card in the envelope provided.

I look forward to seeing you at the Annual Meeting.

Sincerely,

Maurice B. Tosé

Chairman of the Board

Chief Executive Officer and President

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TELECOMMUNICATION SYSTEMS, INC.

275 West Street, Suite 400

Annapolis, Maryland 21401

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders (Annual Meeting) of TeleCommunication Systems, Inc. (TCS or the Company), a Maryland corporation, will be held on Thursday, June 14, 2012, at 10:00 A.M. local time, at The Westin Annapolis hotel, 100 Westgate Circle, Annapolis, MD 21401 for the following purposes:

1. To elect each of the Class II director nominees listed in this proxy statement (Proxy Statement) to hold office until the Annual Meeting of the Company to be held in 2015 and until their successors are duly elected and qualify; and
2. To transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

The Board of Directors has fixed the close of business on April 30, 2012 as the record date (the Record Date) for the determination of stockholders who will be entitled to notice of the Annual Meeting and to vote at the Annual Meeting or any adjournments or postponements thereof. Therefore, only record holders of TeleCommunication Systems, Inc. Class A Common Stock and Class B Common Stock at the close of business on that date are entitled to notice of and to vote shares held on the Record Date at the Annual Meeting and any adjournments or postponements thereof.

If you plan to attend the Annual Meeting, please be prepared to present valid picture identification. If you hold your shares through a broker or other nominee, the Company will accept proof of ownership only if you bring either a copy of the voting instruction card provided by your broker or nominee or a copy of a brokerage statement showing your share ownership in the Company as of the Record Date.

Whether or not you expect to attend the Annual Meeting, we urge you to carefully review the enclosed materials. Your vote is important. All stockholders are urged to attend the Annual Meeting in person or by proxy. If you receive more than one proxy card because your shares are registered in different names or at different addresses, please indicate your vote, sign, date and return each proxy card so that all of your shares will be represented at the Annual Meeting. If you attend the Annual Meeting, you may choose to vote in person even if you previously have sent in your proxy card.

By Order of the Board of Directors

Bruce A. White

Secretary

Annapolis, Maryland

May 7, 2012

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Important Notice Regarding the Availability of Proxy Materials for

The Annual Meeting to be held on June 14, 2012

THIS PROXY STATEMENT AND OUR ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2011

ARE AVAILABLE ON THE INTERNET AT [HTTPS://WWW.PROXYDOCS.COM/TSYS](https://www.proxydocs.com/tsys).

You are receiving this communication because you hold shares in the Company, and the materials you should review before you cast your vote are now available.

This communication presents only an overview of the more complete proxy materials that are available to you on the internet. We encourage you to access and review all of the important information contained in the proxy materials before voting.

Stockholder Meeting to be held on June 14, 2012

10:00 A.M.

The Westin Annapolis hotel

100 Westgate Circle

Annapolis, MD 21401

Proxy Materials Available:

Notice and Proxy Statement

Form 10-K

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TeleCommunication Systems, Inc.

275 West Street, Suite 400

Annapolis, Maryland 21401

PROXY STATEMENT

INTRODUCTION

Why Am I Receiving this Proxy Statement and Proxy Card?

You are receiving this Proxy Statement and a proxy card because you own shares of common stock, either Class A Common Stock, par value \$0.01 per share (the Class A Common Stock), or Class B Common Stock, par value \$0.01 per share (the Class B Common Stock, and together with the Class A Common Stock, the Common Stock) of TCS. This Proxy Statement describes the issues on which we would like you, as a stockholder, to vote. It also gives you information on these issues so that you can make an informed decision.

When you sign the proxy card, you appoint Bruce A. White and Thomas M. Brandt, Jr., as your proxies at the Annual Meeting. Messrs. White and Brandt will vote your shares as you have instructed them on the proxy card at the Annual Meeting. This way, your shares will be voted whether or not you attend the Annual Meeting. Even if you plan to attend the Annual Meeting, it is a good idea to complete, sign and return your proxy card in advance of the Annual Meeting just in case your plans change. This Proxy Statement is being mailed to you on or about May 7, 2012.

If an issue comes up for vote at the Annual Meeting that is not on the proxy card, Messrs. White and Brandt will vote your shares, under your proxy, in accordance with their best judgment.

Who Is Soliciting this Proxy?

The TCS Board of Directors is soliciting your proxy to vote your shares at the Annual Meeting.

What Is the Purpose of the Annual Meeting?

The business to be conducted at the Annual Meeting is set forth in the formal notice. Specifically, the matters include:

election of three Class II director nominees listed in this Proxy Statement to hold office until the Annual Meeting of Stockholders to be held in 2015 and until their successors are duly elected and qualify; and

such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

What Are The Board's Recommendations?

The Board's recommendation is to vote to elect the Class II director nominees listed in this Proxy Statement to hold office until the Annual Meeting of Stockholders to be held in 2015 and until their successors are duly elected and qualify.

Unless you give other instructions on your proxy card, Messrs. White and Brandt, in their capacity as proxy holders, will vote in accordance with the recommendations of the Board of Directors.

With respect to any other matter that properly comes before the Annual Meeting, the proxy holders will vote in their own discretion.

Who Is Entitled to Vote?

Only stockholders of record at the close of business on the record date, April 30, 2012 (the Record Date), are entitled to receive notice of the Annual Meeting and to vote the shares of Common Stock that they held on that date at the Annual Meeting, or any adjournments or postponements thereof. At the close of business on April 20, 2012, 53,807,040 shares of TCS Class A Common Stock and 5,347,769 shares of Class B Common Stock were outstanding and entitled to receive notice and to vote at the Annual Meeting.

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How Many Votes Does Each Share of Common Stock Entitle its Holder to Cast?

Each share of Class A Common Stock is entitled to one vote per share at the Annual Meeting. Each share of Class B Common Stock is entitled to three votes per share at the Annual Meeting.

Who Can Attend the Annual Meeting?

Only stockholders as of the Record Date, or their duly appointed proxies, may attend the Annual Meeting. Registration and seating will begin at 9:30 a.m. Stockholders may be asked to present valid picture identification, such as a driver's license or passport. Cameras, recording devices and other electronic devices will not be permitted at the Annual Meeting.

Please note that if you hold your shares in street name (that is, through a broker or other nominee), you must bring either a copy of the voting instruction card provided by your broker or nominee or a copy of a brokerage statement reflecting your stock ownership as of the Record Date and check in at the registration desk prior to the start of the Annual Meeting.

How Do I Vote?

You May Vote by Mail. You do this by signing the enclosed proxy card and mailing it in the enclosed, prepaid and addressed envelope. If you mark your voting instructions on the proxy card, your shares will be voted as you instruct.

If you return a signed proxy card but do not provide voting instructions, your shares will be voted to elect the Class II director nominees listed in this Proxy Statement to hold office until the Annual Meeting of Stockholders to be held in 2015 and until their successors are duly elected and qualify.

You May Vote in Person at the Annual Meeting. Written ballots will be passed out to stockholders entitled to vote at the Annual Meeting. If you hold your shares in street name (through a broker or other nominee), you must request a legal proxy from your stockbroker to vote at the Annual Meeting in order to be able to cast your vote by written ballot.

How Many Votes Do We Need to Hold the Annual Meeting?

In order to conduct business at the Annual Meeting, our Second Amended and Restated Bylaws (the Bylaws) require the presence in person or by proxy of stockholders entitled to cast a majority of all the votes entitled to be cast on the matters to be presented at the Annual Meeting. This is called a quorum. Abstentions, properly executed proxy cards received by us but marked WITHHOLD AUTHORITY and broker non-votes (as defined below) are included in calculating whether a quorum is present.

What Vote Is Required to Approve Each Item?

Election of the Nominees for Director

If a quorum is present, the affirmative vote of a plurality of all the votes cast at the Annual Meeting is required for the election of directors. Plurality means that the individuals who receive the largest number of votes cast are elected as directors. Consequently, abstentions, properly executed proxy cards marked WITHHOLD AUTHORITY and broker non-votes do not have any impact on the election of directors.

Unless a properly executed proxy card is marked WITHHOLD AUTHORITY, the proxy given will be voted FOR each of the nominees for director.

Transaction of Other Business

If a quorum is present, the approval of any other proposal that may properly come before the Annual Meeting generally requires an affirmative vote of a majority of all the votes cast in person or by proxy and entitled to vote. A properly executed proxy card marked ABSTAIN with respect to the transaction of other business and broker non-votes will not be voted. Accordingly, abstentions and broker non-votes will have no impact on the vote concerning the proposal.

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Can I Change My Vote or Revoke My Proxy After I Return My Proxy Card?

Yes. Even after you have submitted your proxy card, you may change your vote at any time before the proxy is voted at the Annual Meeting by Messrs. White and Brandt by mailing to the Secretary of TCS, either a written notice of revocation or an executed proxy card with a later date than the one you previously submitted, at TCS's offices, 275 West Street, Annapolis, Maryland 21401. You can also revoke your proxy at the Annual Meeting on a ballot that we will provide at the Annual Meeting, or you can appear in person at the Annual Meeting and vote, in person, the shares to which your proxy relates. Attendance at the Annual Meeting will not by itself revoke a previously granted proxy.

What If I Wish to Withhold Authority from Voting on the Election of a Particular Director Nominee or all of the Director Nominees?

If you wish to withhold authority from voting on the election of a particular director or all of the directors, you may do so by marking **WITHHOLD AUTHORITY**, as applicable, on the enclosed proxy card.

Will My Shares Be Voted If I Do Not Sign and Return My Proxy Card?

If your shares are held in your name, you must return your proxy (or attend the Annual Meeting in person) in order to vote on the proposals. If your shares are held in street name and you do not vote your proxy, your brokerage firm may either: (i) vote your shares on routine matters, or (ii) leave your shares unvoted. Under the rules that govern brokers who have record ownership of shares that are held in street name for their clients, brokers may vote such shares on behalf of their clients with respect to routine matters, but not with respect to non-routine matters. If the proposals to be acted upon at any meeting include both routine and non-routine matters, the broker may turn in a proxy card for uninstructed shares that votes FOR the routine matters, but expressly states that the broker is not voting on non-routine matters. This is called a broker non-vote. Broker non-votes will not be counted for the purpose of determining the number of votes cast.

We encourage you to provide instructions to your brokerage firm if your shares are held in street name. This ensures that your shares will be voted at the Annual Meeting.

Who Pays the Cost of Solicitation of My Proxy?

The expense of soliciting proxies and the cost of preparing, assembling and mailing proxy materials in connection with the solicitation of proxies will be paid for by TCS. In addition to the use of mails, certain directors, officers or employees of TCS, who receive no compensation for their services other than their regular salaries, may solicit proxies. Arrangements may be made with brokers and other custodians, nominees and fiduciaries to send proxies and proxy materials to their principals and TCS may reimburse them for reasonable out-of-pocket and clerical expenses.

When are Stockholder Proposals and Nominations for the Election of Directors for the 2013 Annual Meeting of Stockholders Due?

The Company provides all stockholders with the opportunity, under certain circumstances and consistent with the Bylaws and the rules of the Securities and Exchange Commission (*SEC*), to participate in the governance of the Company by submitting proposals that they believe merit consideration and nominations for the election of directors at the Annual Meeting of Stockholders to be held in 2013. To enable management adequately to analyze and respond to proposals stockholders wish to have included in the Proxy Statement and proxy card for that meeting, SEC Rule 14a-8 promulgated under the Securities Exchange Act of 1934, as amended (the *Exchange Act*), requires that any such proposal be received by the Company in writing no later than January 8, 2013. Any stockholder proposal or director nomination must also be in compliance with the Bylaws. Pursuant to the Bylaws, any stockholder proposal or director nomination for that meeting that is submitted outside the processes of Rule 14a-8 will be considered untimely if it is received by the Company earlier than January 8, 2013 or later than February 7, 2013.

Proxies solicited by the Board of Directors for the Annual Meeting of Stockholders to be held in 2013 may confer discretionary authority to vote on any untimely stockholder proposals or director nominations without express direction from stockholders giving such proxies. All stockholder proposals and director nominations

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must be addressed to the attention of the Secretary at 275 West Street, Annapolis, Maryland 21401. The Chairman of the Annual Meeting may refuse to acknowledge the introduction of any stockholder proposal or director nomination not made in compliance with the Bylaws or the foregoing procedures.

Can I receive a copy of the Annual Report?

Yes. We will provide a copy of our Annual Report on Form 10K for the year ended December 31, 2011 (the Annual Report) without charge, upon written request, to any registered or beneficial owner of Common Stock entitled to vote at the Annual Meeting. Requests should be made in writing addressed to Investor Relations, TeleCommunication Systems, Inc., 275 West Street, Annapolis, Maryland 21401. A copy of the Annual Report can be downloaded by accessing the Company s website at: <http://phx.corporate-ir.net/phoenix.zhtml?c=123361&p=irol-reportsAnnual>. The SEC also maintains a website at <http://www.sec.gov> that contains the filings made by TCS with the SEC, including the Annual Report.

Where and When Will I be Able to Find the Results of the Voting?

Preliminary results will be announced at the Annual Meeting and we will publish the final results within four business days after the Annual Meeting via a Current Report on Form 8-K.

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ELECTION OF DIRECTORS

(Proposal 1)

Board of Directors

Our Amended and Restated Articles of Incorporation provide that our Board of Directors is divided into three classes based on their terms of office: Class I, Class II and Class III. Such classes shall be as nearly equal in number of directors as possible. Generally, each director serves for a term ending on the third annual meeting of stockholders following the annual meeting at which that director was elected, except when a director is first assigned to a class of director then serving for a term which is shorter than three years. Our Bylaws provide that a majority of the then-existing Board of Directors may fill a vacancy on the Board of Directors at any time, and that such director elected by the Board of Directors serves until the next annual meeting of stockholders and until his or her successor is elected and qualifies. Our Bylaws also provide that a majority of the then existing Board of Directors may increase the number of directors which constitutes our Board of Directors at any time up to a maximum of fifteen.

Our Board of Directors currently has eight members: Maurice B. Tosé, James M. Bethmann, Thomas M. Brandt, Jr., Jan C. Huly, A. Reza Jafari, Jon B. Kutler, Weldon H. Latham and Richard A. Young, divided into three classes with staggered three-year terms.

The Board of Directors is soliciting proxies to re-elect Messrs. Huly, Jafari and Latham as described herein. Messrs. Huly and Latham were elected as Class II directors at the at the 2009 Annual Meeting of Stockholders to hold office until the 2012 Annual Meeting of Stockholders. Mr. Jafari was first elected as a Class II director at the 2011 Annual Meeting of Stockholders to serve the then-remaining term for Class II directors, until the 2012 Annual Meeting of Stockholders.

All directors have been duly elected by the stockholders. Set forth below is information regarding each of the director nominees and the other continuing directors, including background information and information regarding the specific experience, qualifications, attributes and skills that support the conclusion that these nominees should serve as directors of TCS.

Nominees for Director

At the Annual Meeting, the stockholders will have the opportunity to elect three Class II director nominees to hold office until the Annual Meeting of Stockholders to be held in 2015, and until their successors are duly elected and qualify, except in the event of the director's earlier death, resignation or removal. Unless otherwise specified, your proxy will be voted **FOR** the election of each of the nominees listed below, except that in the event any of those named should not continue to be available for election, discretionary authority may be exercised by the proxy holder to vote for a substitute of his choice. However, TCS knows of no circumstances that would make any nominee named herein unavailable. Each nominee is a current member of the Board of Directors.

The following nominees for director will serve until the Annual Meeting of Stockholders in 2015 and until their respective successors are duly elected and qualify.

Class II Directors Terms expiring in 2015

Jan C. Huly, 64, Member of the Audit Committee.

Retired Lieutenant General Jan C. Huly was appointed to the Board of Directors in January 2009. Lt. Gen. Huly retired from the Marine Corps in 2006 after nearly 37 years of service. In his last assignment as Deputy Commandant, Plans, Policies and Operations, Lt. Gen. Huly was the principal operations officer for the Marine Corps. This included staff coordination for operational matters, combat readiness, and security. Lt. Gen. Huly is a member of the Department of Defense's Defense Science Board and is a board member for the Marine Corps Scholarship Foundation. He holds a Bachelor of Arts degree from the University of California, Berkeley, and a Master of Arts degree from Central Michigan University.

In determining that Lt. Gen. Huly should continue serving as a director of the Company, the Nominating and Governance Committee considered his experience as Deputy Commandant of the Marine Corps and that such a position provides insight into the challenges associated with managing complex organizations and holding

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management accountable for a company's performance. Familiarity with core customers including requirements for acquisition of products and services were also considered when the Nominating and Governance Committee concluded that Lt. Gen. Huly is qualified to continue serving on our Board of Directors.

A. Reza Jafari, 66, Member of the Audit Committee, the Compensation Committee and the Nominating and Governance Committee.

A. Reza Jafari joined the Board of Directors in August 2010. He is currently the Chairman and CEO of e-Development International, a Washington D.C.-based executive advisory group that promotes, facilitates and participates in Information and Communication Technology initiatives for Social Entrepreneurships and Public Private Partnerships worldwide.

He is the Chairman of the Board of Directors of ITU TELECOM (International Telecommunication Union, a UN Agency); a board member of GSMA Ltd., a wholly owned subsidiary of GSM Association; an advisory board member of Digital Health Initiative, the Chairman of the Board of the India, China and America Institute (ICAI) and a member of the Governor's Council for International Business, Maryland. Mr. Jafari has more than thirty-five years experience in the IT services, telecommunications, media and entertainment, and education industries. His expertise includes mobile health, mobile value-added services, satellite communications, cyber security, IT services and IP communications. Previously, Mr. Jafari held various senior executive positions at Electronic Data Systems Corporation, NeuStar Corporation and was Founder, President and CEO of the Satellite Conference Network and the Bankers-TV Network. He holds an MBA and ABD (PhD) in Instructional Systems Technology from Indiana University.

In determining that Mr. Jafari should continue serving as a director of the Company, the Nominating and Governance Committee considered his previous experience in the IT services and telecommunications industries. Mr. Jafari's experience with satellite communications, cyber security, IT services and IP communications at senior executive positions within important industry companies and his current participation on the international stage also led the Nominating and Governance Committee to conclude that his abilities continue to fit with the needs of our Board of Directors.

Weldon H. Latham, 65, Chairman of the Nominating and Governance Committee, and Member of the Compensation Committee.

Weldon H. Latham joined the Board of Directors in December 1999. Mr. Latham is currently a senior partner at the law firm of Jackson Lewis LLP. Since 1986, Mr. Latham has been a senior partner with various law firms including Davis Wright Tremaine, Holland & Knight, Shaw Pittman, and Reed Smith. Mr. Latham was Vice President and General Counsel for Sterling Systems Inc., a software company subsequently acquired by Planning Research Corporation (PRC). He became Executive Assistant and Counsel to PRC's Chairman and CEO. He also served as General Deputy Assistant Secretary for the U.S. Department of Housing and Urban Development, and previously as Assistant General Counsel, White House Office of the Air Force Secretary, General Counsel's Honors Program. Mr. Latham holds a BA in business administration from Howard University, a J.D. from the Georgetown University Law Center, and an Executive Management Certificate from the Amos Tuck Business School at Dartmouth College.

In determining that Mr. Latham should continue serving as a director of the Company, the Nominating and Governance Committee considered his extensive experience as a senior partner of several law firms and the resources he brings through his relationships and legal knowledge. Mr. Latham's experience working in technology companies such as Sterling Systems/PRC was also considered when the Nominating and Governance Committee determined that his abilities and expertise continue to fit with the needs of our Board of Directors.

THE BOARD RECOMMENDS A VOTE FOR EACH OF THE NOMINEES.

Continuing Directors

Class I Directors Terms expiring in 2014:

Thomas M. Brandt, Jr., 60, Senior Vice President & Chief Financial Officer.

Thomas M. Brandt, Jr. joined TCS in 1997. As Senior Vice President and Chief Financial Officer, he is responsible for the Company's financial management, reporting, controls, accounting, and administration. He

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joined the TCS board of directors in 2009. Prior to TCS, he served as Chief Financial Officer of internet service provider Digex, Inc., where he helped lead an IPO. Mr. Brandt previously had been CFO and corporate controller for several other corporations, including a Fortune 500 New York Stock Exchange company. He began his career as an auditor at Price Waterhouse where he worked for 12 years. Mr. Brandt also serves on the boards of Antenna Research Associates, a private communications technology company, and TechAmerica (formerly AeA), the largest US IT trade association. Mr. Brandt is a Certified Public Accountant. He earned an AB from Duke University in management science and an MBA from the Wharton School of the University of Pennsylvania.

In determining that Mr. Brandt should continue serving as a director of the Company, the Nominating and Governance Committee considered his experience with all aspects of the financial management of our Company since 1997. His experience as CFO of Digex and as CFO and Controller of other publicly traded companies, as well as his experience with an independent auditing firm were instrumental in leading the Nominating and Governance Committee to conclude that his abilities and expertise continue to fit with the needs of our Board of Directors.

Jon B. Kutler, 56, Member of the Audit Committee

Jon B. Kutler joined the Board of Directors in February 2011. He is currently chairman and CEO of Admiralty Partners, a private equity investment firm. After service in the U.S. Navy and nearly a decade on Wall Street, Mr. Kutler founded Quarterdeck Investment Partners, an international investment bank focused on the global aerospace and defense markets. He sold Quarterdeck to Jefferies & Company in 2002 to focus on private equity investments under Admiralty Partners. Mr. Kutler is an investor, investment banker and expert in the aerospace and defense industries. He is a Trustee of the California Institute of Technology, where he serves as vice chairman of the Jet Propulsion Laboratory and as a member of the Technology Transfer Committee. Mr. Kutler is a graduate of the United States Naval Academy and holds a Bachelor of Science degree in Naval Architecture. He received his Masters of Business Administration from Harvard University.

In determining that Mr. Kutler should continue serving as a director of the Company, the Nominating and Governance Committee considered his Wall Street experience as well as his expertise in the aerospace and defense industries in which the Company derives significant business. His experience in financial management as well former owner of Trident Space & Defense LLC, which the Company purchased in 2011, were instrumental in leading the Nominating and Governance Committee to conclude that his abilities and expertise continue to fit with the needs of our Board of Directors.

Class III Directors Terms expiring in 2013

Maurice B. Tosé, 55, Chairman of the Board, President and Chief Executive Officer.

Maurice B. Tosé founded TeleCommunication Systems (TCS) in 1987 and has been Chairman of the Board, President and CEO since then. Prior to founding TCS, Mr. Tosé was the Director of Department of Defense Programs for Techmatics, Inc. Mr. Tosé graduated from the United States Naval Academy with a Bachelor of Science degree in operations analysis. Following his graduation, he served on active duty in the United States Navy for eight years, three and a half of which were as an instructor at the U.S. Naval Academy. He retired from the Navy Reserve as a commander after 30 years of combined active and reserve service. Mr. Tosé serves on the board of directors of the U.S. Naval Academy Foundation. He also serves as a member of the Federal Communications Commission's (FCC) Communications Security, Reliability, and Interoperability Council (CSRIC) and is a member of the Maryland Governor's International Advisory Council.

As our co-founder, leader and one of our largest stockholders since the Company's inception, Mr. Tosé possesses a deep understanding and appreciation of all aspects of TCS, its history and its business. The Nominating and Governance Committee has considered this in recommending that he is qualified to serve on and lead our Board of Directors.

James M. Bethmann, 57, Chairman of the Compensation Committee, Member of the Nominating and Governance Committee.

James M. Bethmann joined the Board of Directors in April 2006. He is a Managing Partner of The Caldwell Partners International, a retained executive search firm, and previously served as President of Recognition

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International, a supplier of high-performance document recognition systems, image, and workflow software solutions to leading businesses in the Americas, the Pacific Rim, and Europe. Additional prior executive search positions include Vice Chairman of Highland Partners; Managing Director of Heidrick and Struggles; Managing Director and Co-Lead of Korn/Ferry International's Advanced Technology practice in North America; and Lead for Russell Reynolds Associates Southwest Technology Practice. Mr. Bethmann began his career in the United States Navy, achieving the rank of Lieutenant Commander. He holds a Bachelor of Science degree from the U.S. Naval Academy, for which institution he is a former board trustee.

In recommending Mr. Bethmann continue as a director of the Company, the Nominating and Governance Committee considered his background and position at a retained executive search firm, as a result of which he has developed familiarity with the expectations of senior management in our industry, and his experience as Managing Director of the organizations where he has served. Mr. Bethmann's experience running a company which sold into international markets was also considered in determining that Mr. Bethmann is qualified to serve on our Board of Directors.

Richard A. Young, 65, Executive Vice President and Chief Operating Officer.

Richard A. Young joined TCS in 1992 and was elected to the Company's board of directors in 2009. He has extensive experience in technology management with in-depth technical experience in hardware and software lifecycle program management. Prior to joining TCS, Mr. Young worked as Senior Manager for ICF Information Technology, Inc., where he was responsible for managing technical staff in designing and developing applications to customer specifications. From 1986 to 1989, Mr. Young was Director of the Information Systems Department of the Navy Recruiting Command, where he managed the technical team responsible for the information management requirements of the nationwide recruiting force. He retired in 1989 from 20 years active duty service in the U.S. Navy where he was a helicopter pilot, including piloting missions during the Vietnam conflict. Mr. Young holds a Bachelor of Science degree in engineering from the U.S. Naval Academy and a Master of Science degree in information technology from the Naval Postgraduate School.

In recommending Mr. Young continue as a director of the Company, the Nominating and Governance Committee reviewed his extensive experience in technology management as well as his eighteen years of managing all aspects of our business. Mr. Young has a deep understanding of all aspects of our business and history and is qualified to serve on our Board of Directors.

CORPORATE GOVERNANCE

Board of Directors and Board Leadership Structure

The Board of Directors oversees the overall performance of the Company. Members of the Board of Directors stay informed of the Company's business by participating in Board and committee meetings, by reviewing materials provided to them prior to meetings and otherwise, and through discussions with the Chief Executive Officer and other members of management and staff.

Committees of the Board of Directors met a total of thirteen times in 2011. In addition, the full Board met three times during 2011 to review the actions of the Committees and attend to other TCS business. All of the directors attended 100% of the meetings of the Board of Directors and Board Committees of which they were a member. All of the members of the Board of Directors except for Mr. Tosé also attended the 2011 Annual Meeting of Stockholders.

Independence

The Board of Directors has determined that each member of the Board of Directors, other than Messrs. Tosé, Young and Brandt, is independent as defined by the listing standards of the Nasdaq, within the meaning of Rule 5605 of the Nasdaq Stock Market.

Leadership Structure

Mr. Tosé currently serves as the Chairman of the Board of Directors and Chief Executive Officer of the Company and we do not have a lead independent director. At this time, the Board of Directors believes that the Company and its stockholders are best served by having Mr. Tosé serve as Chairman and Chief Executive Officer.

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Mr. Tosé's tenure as founder and Chief Executive Officer since the Company's formation, his more than 24 years of experience leading TCS and his significant ownership interest in the Company uniquely qualify him to serve as both Chairman and Chief Executive Officer. In addition, the Board of Directors believes that Mr. Tosé's combined role as Chairman and Chief Executive Officer promotes unified leadership and direction for the Board of Directors and executive management, and his knowledge of the Company's business operations makes it appropriate for him to lead the discussions of the Board of Directors.

In addition, many key Company actions occur through the Audit Committee, the Compensation Committee or the Nominating and Governance Committee. Each of these committees is comprised solely of independent directors within the meaning of Rule 5605 of the Nasdaq Stock Market. The chairmen of those respective committees lead and direct the matters relating to those committees and thus have indirect responsibility for board agendas, discussions and deliberations relative to those topics. The Board of Directors and each of these committees have complete and open access to any member of the Company's senior management and the authority to retain independent legal, financial and other advisors as they deem appropriate without consulting or obtaining the approval of any member of the Company's management. Given these historic practices, the Company has not designated a lead director.

Role of Board of Directors in Risk Oversight

The Board of Directors oversees our processes to manage risk at the Board and senior management levels. The Board of Directors delegates much of this responsibility to the Audit Committee. Under its charter, the Audit Committee shall discuss with management the Company's major financial risk exposures and steps management has taken to limit, monitor or control such exposure. While the Board and Audit Committee oversee our Company's risk management, our senior management is responsible for the development, implementation, and maintenance of our risk management processes and provides periodic reports to the Board of Directors and its committees, as appropriate, on its assessment of strategic, operational, legal and compliance, and financial reporting risks to the Company. The Board of Directors and its committees, as appropriate, review and consider the management reports provided on the Company's enterprise risk and risk management strategy, make recommendations, and suggest changes if appropriate.

Code of Ethics and Business Conduct

The Board of Directors has adopted a written code of ethics and business conduct, a copy of which is available on the Company's website at www.telecomsys.com. The Company requires all officers, directors and employees to adhere to this code in addressing the legal and ethical issues encountered in conducting their work. The code requires that employees avoid conflicts of interest, comply with all laws and other legal requirements, conduct business in an honest and ethical manner and otherwise act with integrity and in the Company's best interest. Employees are required to report any conduct that they believe in good faith to be an actual or apparent violation of the code. The Sarbanes-Oxley Act of 2002 requires companies to have procedures to receive, retain and treat complaints received regarding accounting, internal accounting controls or auditing matters and to allow for the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters. The Company currently has such procedures in place.

Corporate Governance Guidelines

The Board of Directors believes that adherence to sound corporate governance policies and practices is important in ensuring that our Company is governed and managed with the highest standards of responsibility, ethics and integrity and in the best interests of the stockholders. The Company's Corporate Governance Guidelines are intended to reflect a set of core values that provide the foundation for our governance and management systems and our interactions with others.

Communications with the Board of Directors

Stockholders may send correspondence to the Board of Directors or to any individual Director at the following address: TeleCommunication Systems, Inc., 275 West Street, Suite 400, Annapolis, MD 21401. The communication should indicate that the sender is a stockholder. Based on procedures approved by the Nominating and Governance Committee of the Board of Directors, the General Counsel and Secretary will retain and not send to Directors communications that are purely promotional or commercial in nature or other topics

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that clearly are unrelated to Director responsibilities. These types of communications will be logged and filed but not circulated to Directors. The General Counsel and Secretary will review and log all other communications and subsequently deliver it to the specified Directors. Further information about communicating with the Board of Directors is available on the Company's website at www.telecomsys.com/investor_info/corp_governance.cfm.

Committees of the Board of Directors

The Board of Directors has an Audit Committee, a Nominating and Governance Committee and a Compensation Committee, the membership and functions of which are described below.

Audit Committee

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors and is currently comprised of Mr. Jon B. Kutler, Mr. Jan C. Huly and Mr. A. Reza Jafari. The members of the Audit Committee are independent as defined by the listing standards of the Nasdaq. The Board of Directors has determined that Mr. Kutler, Chairman of the Audit Committee, is an audit committee financial expert under the relevant rules of the SEC.

The charter for the Audit Committee may be found on the TCS Website (<http://www.telecomsys.com>). Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls. In fulfilling its oversight responsibilities, the Committee reviewed and discussed the audited financial statements with management including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements.

The Audit Committee held four quarterly meetings in 2012 to review quarterly operating results, and two additional meetings to review other matters. The Audit Committee met in executive session with Ernst & Young representatives and the Company's internal auditor, without the presence of management, once during 2011.

Nominating and Governance Committee

The Board of Directors maintains a Nominating and Governance Committee, which is currently comprised of Messrs. Bethmann, Jafari and Latham. The charter of the Nominating and Governance Committee provides for it to be comprised of three members. The Committee has elected Mr. Latham to serve as its Chairman. The Nominating and Governance Committee has the responsibility to recommend persons for membership on the Board of Directors, including consideration of any nominees submitted to the Board of Directors by stockholders, to establish criteria and procedures for the selection of new directors, to assist the Board of Directors with the evaluation of its overall effectiveness, and to develop and recommend any changes to the Corporate Governance Guidelines. The Nominating and Governance Committee met four times in 2011. The Nominating and Governance Committee Charter is available on the Company's website at www.telecomsys.com and will be provided to stockholders upon request.

The Board of Directors believes that the interests of the stockholders are best served by having a substantial number of objective, independent representatives on the Board. For this purpose, a director will be considered to be independent only if the Board affirmatively determines that the director does not have any direct or indirect material relationship with us that may impair, or appear to impair, the director's ability to make independent judgments.

Nominating Process

The Nominating and Governance Committee uses a variety of criteria to evaluate the qualifications and skills necessary for members of the Board of Directors. Under these criteria, members of the Board of Directors should have the highest professional and personal ethics and values, consistent with longstanding values and standards of the Company. Members of the Board of Directors should have broad experience at the policy-making level in business, government, technology or public interest. They should be committed to enhancing stockholder value and should have sufficient time to carry out their duties and to provide insight and practical wisdom based on experience.

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In identifying candidates for membership on the Board of Directors, the Nominating and Governance Committee takes into account all factors it considers appropriate, which may include strength of character, conflict of interest, maturity of judgment, career specialization, relevant skills, diversity and the extent to which a particular candidate would fill a present need on the Board of Directors. The Nominating and Governance Committee does not have a formal policy with regard to the consideration of diversity in identifying director nominees. Consistent with the committee's charter and the Corporate Governance Guidelines, when identifying director nominees, the committee considers general principles of diversity, and does so in the broadest sense. At a minimum, director candidates must have unimpeachable character and integrity, sufficient time to carry out their duties, the ability to read and understand financial statements, experience at senior levels in areas relevant to the Company and consistent with the objective of having a diverse and experienced Board, the ability and willingness to exercise sound business judgment, the ability to work well with others and the willingness to assume the responsibilities required of a director of the Company. Each member of the Board of Directors must represent the interests of the stockholders of the Company. The Nominating and Governance Committee also believes it is in the stockholders' best interest for certain key members of our current management to participate as members of the Board of Directors.

The Nominating and Governance Committee reviews and determines whether existing members of the Board of Directors should stand for reelection, taking into consideration matters relating to the age and number of terms served by individual directors and changes in the needs of the Board.

Once the Nominating and Governance Committee has selected appropriate candidates for election as a director, it presents the candidates to the full Board of Directors for (a) election, if the selection has occurred during the course of the year, or (b) nomination, if the director is to be elected by the stockholders. Pursuant to our Bylaws, members of at least one class of Directors are nominated each year for election by the stockholders and are included in the Company's Proxy Statement.

The Nominating and Governance Committee assesses the appropriate size of the Board of Directors and whether any vacancies on the Board of Directors are expected due to retirement or otherwise. In the event that vacancies are anticipated or otherwise arise, the Nominating and Governance Committee considers various potential candidates for director. Candidates may come to the attention of the Nominating and Governance Committee through current members of the Board of Directors, professional search firms, stockholders or other persons. These candidates are evaluated by the Nominating and Governance Committee, and may be considered at any point during the year. The Nominating and Governance Committee will consider stockholder recommendations for candidates for the Board of Directors that are properly submitted in accordance with the Bylaws. In evaluating such recommendations, the Nominating and Governance Committee will use the qualifications standards discussed above and seek to achieve a balance of knowledge, experience and capability on the Board of Directors.

The Bylaws provide the procedure for stockholders to make director nominations. A stockholder's notice must be delivered to or mailed and received by the Secretary at the principal executive offices of the Company:

in the case of an annual meeting, not more than 120 days and not less than 90 days prior to the earliest of (i) such annual meeting, (ii) the first anniversary of the mailing date of the notice of the preceding year's annual meeting and (iii) the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days from the anniversary date of the preceding year's annual meeting, notice by the stockholder must be so delivered not earlier than the 120th day prior to the annual meeting and not later than the earlier of the close of business on the 90th day prior to the annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made; and

in the case of a special meeting of stockholders called for the purpose of electing directors, not later than the earlier of the close of business on the tenth day following the day on which notice of the date of the special meeting was mailed or public announcement of the date of the special meeting was made, whichever first occurs.

A stockholder's notice to the Secretary must be in writing and set forth:

as to each person whom the stockholder proposes to nominate for election as a director, all information relating to such person that is required to be disclosed in connection with solicitations of proxies for election of directors pursuant to Regulation 14A of the Exchange Act, and the rules and regulations promulgated thereunder; and

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as to the stockholder giving the notice (i) the name and address of such stockholder as they appear on the Company's books and of the beneficial owner, if any, on whose behalf the nomination is made, (ii) the class or series and number of shares of capital stock of the Company which are owned beneficially or of record by such stockholder and such beneficial owner, (iii) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such stockholder, (iv) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice and (v) any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Regulation 14A of the Exchange Act, and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to be named as a nominee and to serve as a director if elected. No person shall be eligible for election as a director of the Company unless nominated in accordance with the procedures set forth above. If the chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the chairman of the meeting shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded. No adjournment or postponement of a meeting of stockholders shall commence a new period for the giving of notice of a stockholder proposal hereunder.

Compensation Committee

The Compensation Committee, which met three times in 2011, is currently comprised of Messrs. Bethmann, Latham and Jafari. The charter of the Compensation Committee provides that it will be comprised of three members. The Compensation Committee approves the design of, assesses the effectiveness of, and administers executive compensation programs in support of stockholder interests. The Compensation Committee has the responsibility and authority to supervise and review the affairs of the Company as they relate to total compensation and benefits, including compensation strategy, philosophy and planning, and policies regarding the acquisition, retention and motivation of personnel. The Compensation Committee determines the compensation of our Chief Executive Officer and President and the compensation of the other Named Executive Officers. In making these determinations, the Compensation Committee takes into account the recommendations of the Chief Executive Officer. The Compensation Committee administers the Stock Incentive Plan, Employee Stock Purchase Plan and other executive officer compensation plans. The Compensation Committee's Charter is available on the Company's website (www.telecomsys.com) and will be provided to stockholders upon request.

Our executive compensation programs are designed to achieve the following objectives:

Attract and retain talented and experienced executives in the highly competitive and dynamic secure communications technology industry;

Motivate and reward executives whose knowledge, skills and performance are critical to our success;

Align the interests of our Named Executive Officers and stockholders by motivating executive officers to increase stockholder value and rewarding Named Executive Officers for meeting operational goals designed to result in stockholder value increases;

Ensure fairness among the executive management team by recognizing the contributions each executive makes to our success;

Foster a shared commitment among executives by coordinating their Company and individual goals; and

Motivate our executives to manage our business to meet our long-range objectives.

Compensation Committee Interlocks

None of the members of the Compensation Committee is a current or former officer or employee of the Company. During 2011, no member of the Compensation Committee had any relationship with the Company requiring disclosure under Item 404 of Regulation S-K. During 2011, none of the Company's executive officers served on the Compensation Committee (or its equivalent) or board of directors of another entity any of whose executive officers served on the Company's Compensation Committee or Board of Directors.

Table of Contents**Director Compensation**

The Board of Directors, upon recommendation of the Compensation Committee, adopted new fee arrangements for Board participation in June 2011. Under the new fee structure, non-employee directors are paid an annual retainer of \$29,000, and fee of \$3,000 for each Board meeting and \$2,000 for each Committee meeting in which the director participates. The Chairman of the Audit Committee is paid an additional annual retainer of \$11,000, the Chairman of the Compensation Committee is paid an additional annual retainer of \$5,500, and the Chairman of the Nominating and Governance Committee is paid an additional retainer of \$4,500.

Generally, each non-employee director is granted restricted shares or options to purchase shares of Class A Common Stock under our stock incentive plan annually. These restricted shares or options vest over a period of one year in equal amounts at the end of each semi-annual term of service on the Board. In addition, non-employee directors are reimbursed for expenses incurred in connection with their service on the Board of Directors. The following table summarizes the amounts paid to non-employee directors for fiscal year 2011:

Name	Fees		Total (\$)
	Earned or Paid in Cash (\$)	Stock Awards(1) (\$)	
James M. Bethmann	\$ 57,500	\$ 44,000	\$ 101,500
Jan C. Huly	\$ 50,000	\$ 44,000	\$ 94,000
A. Reza Jafari	\$ 58,000	\$ 44,000	\$ 102,000
Jon B. Kutler	\$ 66,300	\$ 57,329	\$ 123,629
Weldon H. Latham	\$ 56,500	\$ 44,000	\$ 100,500

(1) The amounts in this column reflect the aggregate grant date fair value of awards to our non-employee directors of restricted shares of our Class A Common Stock during 2011, computed in accordance with FASB ASC Topic 718. See Note 18 in the Notes to Consolidated Financial Statements included in our Annual Report for additional information.

The following table sets forth the aggregate number of stock awards and the aggregate number of stock options held by each of our non-employee Directors at December 31, 2011.

Name	Aggregate Number of Stock Awards	Aggregate Number of Stock Options
James M. Bethmann	5,000	
Jan C. Huly	5,000	
A. Reza Jafari	5,000	
Jon B. Kutler	5,000	
Weldon H. Latham	5,000	37,500

In June 2011, after reviewing industry comparable compensation trends for Boards of Directors of comparably sized companies in the industries in which TCS participates as published in the Director Compensation Report of the National Association of Corporate Directors, the Board voted unanimously to set non-employee director annual fees as follows:

Target Total Compensation	\$ 88,000
Board retainer	29,000
Audit Committee Chairman retainer	11,000
Compensation Committee Chairman retainer	5,500
Nominating Committee Chairman retainer	4,500
Board per-meeting fee	3,000
Committee per-meeting fee	2,000
Non-cash compensation (value)	\$ 44,000

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The Target Total Annual Compensation may be comprised of cash, non-cash compensation in the form of stock options or restricted shares with a stated vesting schedule, or a combination of the two.

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The Board of Directors has elected the executive officers to serve for indefinite terms. The following table sets forth the name of each executive officer as of December 31, 2011 and the principal positions and offices he holds with the Company. Each of these officers has served as an executive officer of the Company for at least five years.

Name	Age	Information about Executive Officer
Maurice B. Tosé	55	Chairman of the Board of Directors, President and Chief Executive Officer since 1987. Prior to founding TCS, Mr. Tosé was the Director of Department of Defense Programs for Techmatics, Inc., headquartered in Silver Spring, Maryland.
Richard A. Young	65	Executive Vice President and Chief Operating Officer. Mr. Young directs all day-to-day activities in the Company including goal setting, performance monitoring, and deployment of key personnel. Mr. Young joined TCS in 1992 and has served in a chief operating management role throughout his tenure.
Thomas M. Brandt, Jr.	60	Sr. Vice President and Chief Financial Officer. Mr. Brandt joined the Company in 1997, assuming responsibility for the Company's financial management, reporting, controls, accounting, and administration.
Drew A. Morin	51	Sr. Vice President and Chief Technology Officer. Mr. Morin joined the company in 1988, assuming responsibility for the technical direction and coordination of TCS's development activities across business units.
Timothy J. Lorello	54	Sr. Vice President and Chief Marketing Officer. In 2002, Mr. Lorello assumed responsibility for positioning and product management, marketing communications, branding activities, and product strategy for all of our products and services. Mr. Lorello joined our company in 1995 to head our network intelligence application software group where he was responsible for the marketing and development of software applications and services sold to wireless carriers. From 2007 until mid-2011, Mr. Lorello also held responsibility for sales initiatives for our commercial software business.

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

Beneficial ownership is determined in accordance with Rule 13d-3 under the Exchange Act. The number of shares beneficially owned by a person includes shares of Class A Common Stock subject to options held by that person that are currently exercisable or exercisable within 60 days of April 30, 2012. The shares issuable pursuant to these options are deemed outstanding for computing the percentage ownership of the person holding these options but are not deemed outstanding for the purposes of computing the percentage ownership of any other person.

The following table lists the number of shares of Class A Common Stock and Class B Common Stock beneficially owned by directors and our Named Executive Officers (as defined below under Compensation of the Named Executive Officers) of the Company as of April 30, 2012.

Name and Address of Beneficial Owner(1)	Shares Beneficially Owned		Percentage of Shares Beneficially Owned	
	A Shares	B Shares(3)	A Shares	B Shares
Directors and executive officers:				
Maurice B. Tosé(2)	2,851,740	5,347,772	5.1%	100%
Richard A. Young(4)	1,597,184		2.9%	
Thomas M. Brandt, Jr.(5)	1,498,177		2.7%	
Drew A. Morin(6)	1,491,863		2.7%	
Timothy J. Lorello(7)	799,116		1.5%	
James M. Bethmann(8)	34,120		*	
Jan C. Huly(8)	25,667		*	
A. Reza Jafari(8)	10,787		*	
Jon B. Kutler(8, 9)	3,013,166		5.6%	
Weldon H. Latham(10)	101,175		*	
All directors and executive officers as a group (10 persons)(11)	11,422,995	5,347,772	19.2%	100%
Five percent holders:				
BlackRock, Inc.(12)	3,054,557		5.7%	
Dimensional Fund Advisors LP(13)	2,984,669		5.6%	

* Less than 1%.

- (1) Except as set forth herein, the business address of the named beneficial owner is c/o TeleCommunication Systems, Inc., 275 West Street, Annapolis, Maryland 21401.
- (2) Includes 2,140,879 shares of Class A Common Stock issuable upon the exercise of stock options exercisable within 60 days of April 30, 2012, 485,924 shares of restricted Class A stock, and 550,000 shares of Class B Common Stock which have been pledged as security for a loan. Under the rules of the SEC, Mr. Tosé is deemed to beneficially own 229,995 shares of Class A Common Stock owned by Teresa M.S. Layden, Mr. Tosé's wife, 215,753 shares of Class B Common Stock held in a trust for the benefit of Mr. Tosé's and Ms. Layden's children, and 110,492 shares of Class B Common Stock held by Mr. Tosé's minor children. Mr. Tosé disclaims beneficial ownership of all of these shares.
- (3) The holders of Class B Common Stock are entitled to three votes per share on all matters submitted to a vote of the stockholders. Each share of our Class B Common Stock is convertible at any time, at the option of the holder, into one share of our Class A Common Stock.
- (4) Includes 1,233,598 shares of Class A Common Stock issuable upon the exercise of stock options exercisable within 60 days of April 30, 2012, and 282,717 shares of restricted Class A stock.
- (5) Includes 1,024,362 shares of Class A Common Stock issuable upon the exercise of stock options exercisable within 60 days of April 30, 2012, and 2242,335 shares of restricted Class A stock. Under the rules of the SEC, Mr. Brandt is deemed to beneficially own 51,370 shares of Class A Common Stock held in a trust for the benefit of Mr. Brandt's wife. Mr. Brandt disclaims beneficial ownership of all the shares in the trust.

- (6) Includes 1,028,977 shares of Class A Common Stock issuable upon the exercise of stock options exercisable within 60 days of April 30, 2012, and 224,335 shares of restricted Class A stock. Under the rules of the SEC, Mr. Morin is deemed to beneficially own 32,354 shares of Class A Common Stock held in a trust for the benefit of Mr. Morin's wife and child. Mr. Morin disclaims beneficial ownership of all of these shares.

- (7) Includes 432,513 shares of Class A Common Stock issuable upon the exercise of stock options exercisable within 60 days of April 30, 2012, and 112,474 shares of restricted Class A stock. Under the rules of the SEC, Mr. Lorello is deemed to beneficially own 236,849 shares of Class A Common Stock held in a trust for the benefit of Mr. Lorello's wife and children, and such shares have been pledged to secure a loan to the trust. Mr. Lorello disclaims beneficial ownership of all these shares.

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- (8) Includes 5,000 shares of restricted Class A Common Stock.
- (9) Under the rules of the SEC, Mr. Kutler is deemed to beneficially own 3,000,000 shares of Class A Common Stock held in a trust for the benefit of Mr. Kutler's child. Mr. Kutler disclaims beneficial ownership of all of these shares.
- (10) Includes 15,000 shares of Class A Common Stock issuable upon the exercise of stock options exercisable within 60 days of April 30, 2012 and 5,000 shares of restricted Class A Common Stock.
- (11) Includes an aggregate of 5,875,329 shares of Class A Common Stock issuable upon the exercise of stock options exercisable within 60 days of April 30, 2012 and 1,354,785 shares of restricted Class A Common Stock.
- (12) According to a Schedule 13G filed with the SEC on January 20, 2012. The address of BlackRock, Inc. is 40 East 52nd Street, New York, NY 10022.
- (13) According to a Schedule 13G filed with the SEC on February 10, 2012. The address of Dimensional Fund Advisors LP is Palisades West, Building One, 6300 Bee Cave Road, Austin, Texas 78746.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

We provide what we believe is a competitive total compensation package to our executive management team through a combination of base salary, annual cash incentive, long-term equity incentive compensation and broad-based benefits programs. We place significant emphasis on pay for performance-based incentive compensation programs, which make compensation contingent on the attainment of Company and individual goals.

TCS does not utilize compensation policies or practices creating risks that are reasonably likely to have a material adverse effect on the Company. The following Compensation Discussion and Analysis section describes generally our compensation policies and practices that are applicable for executive and management employees. TCS uses common variable compensation designs, with a significant focus on corporate and business financial performance as generally described in this Proxy Statement.

Specific 2011 operational achievements include:

Revenue was a record \$425.4 million, up 9% from the previous record of \$388.8 million in 2010. This represented the company's 13th consecutive year of record revenue.

Gross profit was a record \$151.2 million, up 10% from the previous record of \$138.0 million in 2010.

EBITDA was \$59.0 million, compared to \$66.3 million in 2010, and represented the company's second highest yearly EBITDA following the highest record level set in the prior year.

Funded backlog grew to \$450 million at year end from \$322 million at the beginning of the year

The Objectives of our Executive Compensation Program

We use the following principles to guide our decisions regarding executive compensation:

Provide compensation opportunities competitive with market levels.

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To attract and retain executives with the ability and the experience necessary to lead us and deliver strong performance to our stockholders, we strive to provide a total compensation package that is competitive with total compensation provided by our industry peer group, which we construct to include the following companies:

Neustar, Inc.

NCI Inc.

Comverse Technology, Inc.

CACI International Inc.

General Dynamics Corp

LM Ericsson Telephone Co.

Rockwell Collins, Inc.

TeleNav, Inc.

Globecomm Systems, Inc.

ViaSat, Inc.

Harris Corp.

Comtech Telecommunications Corp.

Kratos Defense & Security Solutions, Inc.

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We chose these companies because they are publicly traded companies in the commercial and technology sectors in which we operate and/or they are close to our size in terms of revenue and market capitalization. We believe that such companies provide an appropriate peer group because they consist of similar organizations against whom we compete for executive talent. We annually review the companies in our peer group and add or remove companies as necessary to insure that our peer group comparisons are meaningful. We changed our peer group slightly from the one used in 2011 by adding CACI International Inc., Harris Corp., Kratos Defense & Security Solutions, Inc. and Rockwell Collins, Inc., because their government systems and services lines have become more comparable to our Government Segment business. We also deleted Openwave Systems, Inc., and Motricity, Inc. from the group of peer companies used in 2011 because we believe the business models and operations for those companies have changed such that correlated data would not be meaningful in comparison. We used this same peer group when constructing the performance graph that appears in our Annual Report.

For each Named Executive Officer, we consider the relevance of data of our peer group, considering:

Our business need for the Named Executive Officer's skills;

The contributions that the Named Executive Officer has made or we believe will make to our success;

The transferability of the Named Executive Officer's managerial skills to other potential employers;

The relevance of the Named Executive Officer's experience to other potential employers, particularly in the telecommunications technology industry;
and

The readiness of the Named Executive Officer to assume a more significant role with another potential employer.

Base Salaries

We target base salaries to approximate the market median (50th percentile) for our peer group. To arrive at the 50th percentile for the base salaries of our Named Executive Officers, we consider the median of the data gathered from proxy statements for the positions of the Named Executive Officers in relation to the Named Executive Officers of our peer group for each position. We also use data from publicly available surveys, when available, in addition to our peer group, in order to have a more complete overview of the competitive market for our executive talent.

Cash Incentives

Incentive award opportunities are targeted to result in Bonus Opportunity Plan payments equal to the market median of cash incentives paid by our peer group assuming our target business objectives are achieved.

Long-Term Equity Compensation

Annual equity grants are targeted at the 75th percentile of the median level of market practices for the Named Executive Officer, but may be adjusted in the discretion of the Compensation Committee based on individual performance or other factors. The allocation between long-term and currently paid out compensation reflects consideration of how our peer companies use long-term and currently paid compensation to pay their Named Executive Officers because we feel it is important to maintain parity with competitors for our management team.

Total Compensation

Total compensation is targeted at the 75th percentile of our peer group, considering individual performance and experience. The targets for compensation are set at the beginning of each fiscal year. The Company's operational performance achieved in fiscal year 2011 resulted in the Named Executive Officers earning total compensation below the targeted compensation set forth at the beginning of the year.

After review of the 2011 operational results, the Compensation Committee determined that senior management had delivered results which were comparable to the Company's peers, and while the overall company performance achieved less than the budgeted target results determined at the beginning of 2011, the Compensation Committee determined that senior management had earned a total compensation package that was appropriate for the performance at the level achieved.

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Require performance goals to be achieved in order for the majority of the target pay levels to be earned.

Our executive compensation program emphasizes pay for performance. Performance is measured based on achievement of Company and individual performance goals that are aligned with our business strategy and are approved by our Compensation Committee after the annual business plan has been approved by the Board of Directors. If the target level for the performance goals is exceeded, executives have an opportunity to earn cash incentive awards above the median of the market of our peer group pursuant to our Bonus Opportunity Plan. If the target levels for the performance goals are not achieved, executives may earn less or no Bonus Opportunity Plan payments.

Offer a comprehensive benefits package to all full-time employees.

We provide a competitive benefits package to all full-time employees which includes health and welfare benefits, such as medical, dental, vision care, disability insurance, life insurance benefits, and a 401(k) savings plan. We have no structured executive perquisite benefits (e.g., club memberships or company vehicles) for any executive officer, including the Named Executive Officers, and we currently do not provide any supplemental pensions to any executive officer, including the Named Executive Officers. In December 2008 the Compensation Committee adopted a Deferred Compensation Plan under which certain highly compensated employees, including the Named Executive Officers, are allowed to defer receipt of current income until some future period, which period must be determined prior to making contributions. The Company also may contribute compensation on behalf of an employee, including a Named Executive Officer, which will vest to the beneficiary employee at the pre-determined date. The Company did not contribute any amounts to the Deferred Compensation Plan in 2011.

Provide fair and equitable compensation.

We provide a total compensation program that we believe will be perceived by both our Named Executive Officers and our stockholders as fair and equitable. In addition to conducting analyses of market pay levels and considering individual circumstances related to each Named Executive Officer, we also consider the pay of each Named Executive Officer relative to each other Named Executive Officer and relative to other members of the management team. We have designed the total compensation programs to be consistent for our executive management team.

Certain Policies of our Executive Compensation Program

We have adopted the following material policies related to our executive compensation program:

Allocation between long-term and currently paid out compensation: The compensation we currently pay consists of base pay and annual cash incentive compensation in the form of the Bonus Opportunity Plan payments. The long-term compensation consists entirely of awards of stock options or restricted shares pursuant to the Stock Incentive Plan. The allocation between long-term and currently paid out compensation reflects consideration of how our peer companies use long-term and currently paid compensation to pay their executive officers because we feel it is important to maintain parity with competitors for our management team.

Allocation between cash and non-cash compensation: It is our policy to allocate all currently paid compensation in the form of cash and all long-term compensation in the form of awards of options to purchase our Class A Common Stock or restricted shares of our Class A Common Stock, because we believe that this balance best serves our interests in retaining experienced managers while also aligning their long-term compensation with stockholder interests in long-term growth and success.

Role of Stockholder Say-on-Pay Votes

At the Company's Annual Meeting of Stockholders held on June 9, 2011, the Company provided its stockholders with the opportunity to cast a nonbinding advisory vote on executive compensation (a say-on-pay proposal). Approximately 98% of the votes cast on the say-on-pay proposal at that meeting were voted in favor of the proposal. Our Compensation Committee considered the outcome of that advisory vote to be an endorsement of the Compensation Committee's compensation philosophy and implementation. As such, in making its decisions regarding executive compensation for 2011, the Compensation Committee chose to retain the 2010 structure of the executive compensation program while making quantitative adjustments to reflect the performance of the Company and our Named Executive Officers in 2011. The Compensation Committee will continue to consider the outcome of the Company's say-on-pay votes when making future compensation decisions for the Named Executive Officers.

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Our Executive Compensation Programs

The basic elements of our executive compensation programs are summarized in the table below, followed by a more detailed discussion of each compensation program.

Element	Characteristics	Purpose
Base salary	Fixed annual cash compensation; all executives are eligible for periodic increases in base salary based on performance; targeted at the median market pay level.	Keep our annual compensation competitive with the market for skills and experience necessary to meet the requirements of the executive's role with us.
Bonus Opportunity Plan awards	Performance-based annual cash incentive earned based on Company and individual performance against target performance levels; targeted at the median market pay level.	Motivate and reward for the achievement and over-performance of our critical financial and strategic goals. Amounts earned for achievement of target performance levels based on our annual budget is designed to provide a market-competitive pay package at median performance; potential for lesser or greater amounts are intended to motivate participants to achieve or exceed our financial performance goals and to not reward if performance goals are not met.
Long-term equity incentive plan awards (stock options and restricted shares)	Equity awards which derive their value from the market performance of our Class A Common Stock over time; targeted at the 75 th percentile of market pay level and/or competitive practices at peer companies.	Align interest of management with stockholders; motivate and reward management to increase the stockholder value of the Company over the long term. Vesting based on continued employment will facilitate retention; amount realized from exercise of stock options rewards increased stockholder value of the Company; provides change in control protection.
Retirement savings opportunity	Tax-deferred 401(k) plan in which all employees can choose to defer compensation for retirement. We provide discretionary but non-discriminatory matching contributions to all employees based on operational performance; we do not allow employees to invest these savings in Company stock.	Provide employees the opportunity to save for their retirement. Account balances are affected by contributions and investment decisions made by the employee.
Health & welfare benefits	Fixed component. The same/comparable health & welfare benefits (medical, dental, vision, disability insurance and life insurance) are available for all full-time employees.	Provides benefits to meet the health and welfare needs of employees and their families.

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In general, compensation or amounts realized by executives from prior compensation from us, such as gains from previously awarded stock options or restricted share awards, are not taken into account in setting other elements of compensation, such as base pay, Bonus Opportunity Plan payments, or awards of stock options or restricted shares under our long-term equity incentive program, because we believe that the opportunity for additional cash and equity compensation is a significant motivator and we want our executives to be rewarded for contributing to our success. With respect to Named Executive Officers, we take into account their prior base salary and annual cash incentive, as well as the contribution expected to be made by the Named Executive Officer, the business needs and the role of the Named Executive Officer with us.

Annual Cash Compensation

Base Salary

Annually we review salary ranges and individual salaries for our Named Executive Officers. We establish the base salary for each Named Executive Officer based on consideration of median pay levels of our peer group and internal factors, such as the individual's performance and experience, and the pay of others on the executive team. We also consider CEO and other management recommendations, business requirements for certain skills, individual experience and contributions, the roles and responsibilities of the executive and other factors. Based on these considerations, the Compensation Committee approved a 3.0% increase to the 2010 base salaries for fiscal year 2011 for each of our Named Executive Officers other than our CEO. After reviewing the reported proxy data of Chief Executive Officers of the peer group and other competitors, and after considering the operational achievements in 2010 including revenue growth, profit generation, the Compensation Committee determined that the base salary for Mr. Tosé was not at the level which is comparable to Chief Executive Officers in the peer group and consequently approved an increase for Mr. Tosé of 14.8% for 2011. We believe competitive base salary is necessary to attract and retain an executive management team with the appropriate abilities and experience required to lead us.

The base salaries paid to our Named Executive Officers are set forth below in the Summary Compensation Table. For the fiscal year ended December 31, 2011, cash compensation to our Named Executive Officers in the form of base salary was \$1,964,251, with our chief executive officer receiving \$595,235 of that amount. We believe that the base salary paid to our Named Executive Officers during 2011 achieves our executive compensation objectives, compares appropriately to our peer group and is within our target of providing a base salary at the market median.

Bonus Opportunity Plan Awards

Consistent with our emphasis on pay for performance incentive compensation programs, we have established a Bonus Opportunity Plan pursuant to which certain of our executive officers, including our Named Executive Officers, are eligible to receive Bonus Opportunity Plan awards based upon annual established performance targets, including financial and other measures, and individual performance, all at the discretion of the Compensation Committee. The Bonus Opportunity Plan is important to focus our Named Executive Officers' efforts and reward them for annual operating results that help create value for our stockholders. The Bonus Opportunity Plan for 2011 was designed to create an opportunity for award representing approximately 40% to 70% of a Named Executive Officer's total potential cash compensation, depending on the executive's role, and included an opportunity for the award to exceed the target amount if certain operational results exceeded the performance metric.

Our Named Executive Officers exceeded some of the target business objectives in 2011, which resulted in the Named Executive Officers as a group earning total cash bonuses below the target amounts anticipated under the Bonus Opportunity Plan when the incentive plan targets for the Bonus Opportunity Plan were set through our annual planning process, which generally begins in October before each fiscal year.

The financial measures used to determine annual incentive cash payments for 2011 performance included total revenue and/or specific revenue targets for the operating unit within the executive's control; adjusted net income/(loss) before depreciation, amortization of non-cash stock-based compensation, amortization of software development costs, property and equipment and other intangibles, and interest expense and other non-cash financing costs (collectively, EBITDA) and/or specific EBITDA targets for the operating unit within the

¹ EBITDA is not a financial measure calculated and presented in accordance with U.S. generally accepted accounting principles (GAAP). See a reconciliation to GAAP net income in our financial press releases and at our website at www.telecomsys.com.

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executive's control; net income; and, in the case of our Chief Executive, Financial and Technology Officers (the CEO, CFO and CTO), certain qualitative goals. The Compensation Committee set individual subjective performance goals for only our CEO, CFO and CTO because their respective responsibilities include matters for which the results are more directly within their respective control and on which we want them to apply focused efforts. While these financial measures and individual goals form a framework for awarding incentive payments, the Compensation Committee retains discretion over the final amount of the payouts under the Bonus Opportunity Plan.

For 2011, the individual performance goals included:

Chief Executive Officer

Maintain compliance with bank line of credit covenants through all four fiscal quarters

Maintain specified cash and marketable securities balances at the end of the fiscal year

Chief Financial Officer

Maintain compliance with bank line of credit covenants through all four fiscal quarters

Maintain SEC compliance with internal control regulations subject to reporting under the Sarbanes-Oxley Act

Maintain a specified level of research analyst coverage

Maintain specified cash and marketable securities balances at the end of the fiscal year

Chief Technology Officer

Control research and development expenditures

Achieve days sales outstanding metrics

The targets for our Company and individual performance goals were established so that target attainment was not assured. The attainment of payment for performance at target or above would have required significant effort on the part of our executives.

The revenue measure is designed to reflect our objective of developing new products and markets, growing top line revenue, and expanding our market share in existing markets. To ensure we efficiently develop and expand our markets, the EBITDA measure motivates our executives to manage our costs and to take into account the appropriate level of expenses expected with our growth. The cash and marketable securities balances at year-end measure is designed to ensure that the appropriate level of attention is paid to the need to fund our operations and investments for the next rolling twelve-month period. The net income goal is designed to recognize and reward operational results that are aligned with stockholder interests. The subjective goals provide recognition for contributions made to the overall health of the business and are intended to capture how the Named Executive Officer has performed in areas that are not quantified in the major metrics. For example, we believe that maintaining financial analyst coverage is important for the marketability of our public securities, so the CFO has a goal to maintain a specified level of research analyst coverage.

A business plan which contains annual financial and strategic objectives is developed each year by management, reviewed and recommended by the Named Executive Officers, presented to the Board of Directors, and ultimately reviewed and approved by our Board of Directors with such changes as it deems appropriate. The Bonus Opportunity Plan is presented to the Compensation Committee for review and approval with such modifications as it deems appropriate.

Bonus Opportunity Plan awards are determined at year-end based on our performance against the approved Bonus Opportunity Plan targets. The Compensation Committee also has the ability to exercise discretion in adjusting awards based on factors it deems relevant which may include its consideration of each Named Executive Officer's individual performance and for each Named Executive Officer other than the Chief Executive Officer, based on a review of such executive's

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performance as communicated to the Compensation Committee by the Chief Executive Officer, internal pay equity among the Named Executive Officers, changing compensation practices within our peer group and other industries against which the Company competes for executive talent, customers and capital, our overall performance during the year, and any unusual or non-recurring business, financial or accounting matters otherwise impacting our performance. The Compensation Committee may modify (increase or decrease) the Bonus Opportunity Plan awards prior to their payment.

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2011 Financial Measures

Shown as a percentage of the total Bonus Opportunity Plan award at target in the following table, is the weighting of the measures used to determine award payments to the Named Executive Officers for the fiscal year ended December 31, 2011:

2011 Measures	CEO	COO	CFO	CTO	CMO
Company performance					
Revenue	20%		10%	10%	10%
EBITDA	35%	10%	30%	10%	10%
Net Income	25%	20%	30%	10%	10%
Cash & Marketable Securities at end of year	10%		10%		
Individual/Operating Unit contribution					
Revenue		20%		25%	70%
EBITDA		50%		35%	
Analyst Coverage			10%		
Internal Controls			5%		
Bank Covenants	10%		5%		
Subjective goals				10%	
	100%	100%	100%	100%	100%

The year-end cash and marketable securities balances goal applied only to the CEO and CFO because those executives have the most direct influence on the decisions that produce these results. The EBITDA goal was significantly more weighted with respect to our COO because he manages the Company's operations and approves the expense and investment decisions that most significantly influence the EBITDA results. The revenue goal was significantly more weighted with respect to our CMO to focus his role as sales executive on driving top line results.

Bonus Opportunity Plan Payout

Subject to the discretion of the Compensation Committee to adjust awards as described above, if a Named Executive Officer does not achieve 85% of his goals, there is no payout of the bonus opportunity. If a Named Executive Officer meets 85%, but not 100% of his goals, the Compensation Committee evaluates what percentage of his goals were met, and adjusts his actual payment downward accordingly. Subject to the discretion of the Compensation Committee to adjust awards as described above, if a Named Executive Officer exceeds all of his corporate goals and personal objectives, he receives his target payment and is eligible to also receive additional payments to the extent our Net Income and EBITDA results exceed our targets. The payment opportunities under the 2011 annual Bonus Opportunity Plan are shown as a percentage of annual base salary at corresponding levels of performance against our goals as shown in the following table:

Officer	2011 Bonus Opportunity Plan payout level based on goal achievement		
	At 100% (Target)	At 110%	Bonus Adjustments Based on Performance
CEO	200% of base salary	210% of base salary	1/2% increase in bonus pool for every 1% that Adjusted Net Income exceeds target. 1/2% increase in bonus pool for every 1% that EBITDA exceeds target.
COO	120% of base salary	130% of base salary	1/2% increase in bonus pool for every 1% that Adjusted Net Income exceeds target. 1/2% increase in bonus pool for every 1% that EBITDA exceeds target.
CFO	70% of base salary	80% of base salary	1/2% increase in bonus pool for every 1% that Adjusted Net Income exceeds target.

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			1/2% increase in bonus pool for every 1% that EBITDA exceeds target.
CTO	70% of base salary	80% of base salary	1/2% increase in bonus pool for every 1% that Adjusted Net Income exceeds target.
			1/2% increase in bonus pool for every 1% that EBITDA exceeds target.
CMO	80% of base salary	90% of base salary	1/2% increase in bonus pool for every 1% that Adjusted Net Income exceeds target.
			1/2% increase in bonus pool for every 1% that EBITDA exceeds target.

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The actual annual incentive payments made to our Named Executive Officers pursuant to our Bonus Opportunity Plan for the fiscal year ended December 31, 2011 are set forth below in the Summary Compensation Table and were calculated in consideration of the following operational results:

2011 Operating Results	NEO	Goal (\$000)	Actual (\$000)	Achievement
Company/team performance				
Company Total Revenue	All	469,000	425,400	91%
EBITDA	All	70,500	59,000	84%
Adjusted Net Income	All	30,300	27,900	92%
Cash at end of year	CEO/CFO	48,300	52,400	108%
Individual/Operating Unit contribution				
Revenue	COO	468,900	425,400	91%
	CTO	102,300	79,300	78%
	CMO	325,400	308,300	95%
EBITDA	COO	125,900	118,500	94%
Analyst Coverage	CFO	7	7	100%
Internal Controls	CFO	Qualitative	Met	100%
Bank Covenants	CEO/CFO	Qualitative	Met	100%
Subjective measure	CTO	Qualitative	Met	100%

We believe that the annual incentive payments made to our Named Executive Officers for the fiscal year ended December 31, 2011 achieved the objectives of our executive compensation program, compare appropriately to our peer group and are consistent with the Company's performance in 2011.

Long-term Equity Incentive Compensation

We award long-term equity incentive grants to executive officers, including the Named Executive Officers, as part of our total compensation package. These awards are consistent with our pay for performance principles and align the interests of the executive officers to the interests of our stockholders. The Compensation Committee reviews and approves the amount of each award to be granted to each Named Executive Officer. Long-term equity incentive awards are made pursuant to the Stock Incentive Plan.

Our long-term equity incentive compensation currently is primarily in the form of options to acquire shares of our Class A Common Stock and restricted shares. The value of the stock options awarded is dependent upon the performance of our Class A Common Stock price. While the Stock Incentive Plan allows for other forms of equity compensation, the Compensation Committee and management believe that currently stock options and/or restricted shares are the appropriate vehicles to provide long-term incentive compensation to our executive officers because their characteristics are readily understood by our executives and investors, provide the long term incentive that we believe is important, and there currently is no compelling reason to develop more complex equity incentive programs.

The majority of long-term equity incentive compensation has been in the form of stock options. In 2011, the Compensation Committee determined that the issuance of restricted shares in combination with stock options would be in the best interest of the company. Stock options have no inherent value on the date of grant because their value depends upon increases in the market performance of our Class A Common Stock. Restricted Shares are granted at the market price on the date of the grant. The Compensation Committee determined that granting restricted shares in fewer quantities than stock options would be less dilutive to other shareholders. Restricted shares granted to the Named Executive Officers vest ratably over three years like stock options vest, and are forfeited in the event the Named Executive Officer leaves the company prior to vesting. Other types of long-term equity incentive compensation may be considered in the future as our business strategy evolves.

Stock option awards provide our executive officers with the right to purchase shares of our Class A Common Stock at a fixed exercise price for a period of up to ten years under the Stock Incentive Plan. Stock options are earned on the basis of continued service to us and generally vest over three years, with one-third vesting at each one year anniversary of the date of grant. Restricted shares are granted to the individual and may not be transferred, sold or otherwise disposed of until they vest, with one-third vesting at each one year anniversary of the grant date.

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The exercise price of each stock option and grant value of each restricted share granted in 2011 is the fair market value of our Class A Common Stock on the grant date. We do not have any program, plan or practice of setting the exercise price or grant value based on a date or price other than the fair market value of our Class A Common Stock on the grant date.

Our Named Executive Officers and other employees are eligible to receive annual awards of stock options based on the Company's performance in the prior fiscal year. The grants are usually made in the first quarter of each fiscal year as soon as practical after operating results for the prior year have been finalized.

In setting individual grants, the Compensation Committee considers our performance relative to the financial and strategic objectives set forth in the annual business plan, the previous year's individual performance of each Named Executive Officer, and the market pay levels for the Named Executive Officer. Annual grants are targeted at the 75th percentile of the median level of market practice for the executive officer, but may be adjusted in the discretion of the Compensation Committee based on individual performance or other factors. This analysis is also used to determine any new hire or promotion-related grants that may be made during the year.

Generally, we do not consider an executive officer's stock holdings or previous stock option grants in determining the number of stock options or restricted shares to be granted. Moreover, we believe that our long-term incentive compensation program furthers our significant emphasis on pay for performance compensation.

While the vast majority of stock option awards and restricted share grants to our Named Executive Officers have been made pursuant to our annual grant program or in connection with their hiring or promotion, the Compensation Committee retains discretion to make stock option awards and/or restricted share grants to Named Executive Officers at other times, including in connection with the hiring of a new executive officer, the promotion of an executive officer, to reward executive officers, for retention purposes or for other circumstances recommended by management or the Compensation Committee. The exercise price of any such grant would be the fair market value of our stock on the grant date.

Other Benefits

Retirement Savings Opportunity

All employees, including our Named Executive Officers, may participate in our 401(k) Retirement Savings Plan, or 401(k) plan. Each employee may make before-tax contributions up to the current Internal Revenue Service limits. We provide this plan to help our employees save some amount of their cash compensation for retirement in a tax efficient manner. We match contributions made by our employees to the 401(k) plan at discretionary amounts. For 2011 we contributed 40% of each employee's contribution to the 401(k) plan and we intend to contribute the same 40% level for 2012. If a particular executive is eligible to make "catch-up" contributions (as defined by the IRS) to the 401(k) plan, the Company does not provide a matching contribution for such catch-up contributions. We currently do not provide an option for our employees to invest in our Company's stock in the 401(k) plan.

We currently offer a nonqualified deferred compensation arrangement to certain highly compensated employees, including our Named Executive Officers. The purpose of the deferred compensation plan is to conform the Company's compensation elements to those of similar companies by providing tax deferred savings opportunities. It is a voluntary, non-qualified plan that allows a select group of management and highly compensated employees to elect to defer receipt of specified portions of compensation, and to have those deferred amounts treated as if invested in specific hypothetical investment benchmarks.

The Compensation Committee may carve out a portion of an eligible employee's cash compensation as subject to deferral at any time or the eligible employees may elect deferral amounts prior to the income being earned. Employee contributions will be 100% vested upon deposit, but Company discretionary contributions may be vested immediately, vested over a specified period of time or upon the achievement of certain performance goals, or in accordance with other requirements set by the Company or the Compensation Committee. Any unvested Company contributions would be forfeited upon separation of employment and can be used to offset future discretionary contributions. All deferred compensation will be subject to withdrawal in accordance with pre-contribution decisions made by the employee and otherwise in accordance with the deferred contribution plan. The Board of Directors or the Compensation Committee may amend or cancel the deferred compensation plan at any time, so long as the termination complies with IRS regulations.

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Health and Welfare Benefits

All full-time employees, including our Named Executive Officers, may participate in our health and welfare benefit programs, including medical, dental and vision care coverage, disability insurance and life insurance.

Employment Agreements, Severance Benefits and Change in Control Provisions

Except with respect to our Chairman and Chief Executive Officer, Mr. Maurice B. Tosé, we have employment agreements in effect with our Named Executive Officers. We have been in negotiations with Mr. Tosé for an employment agreement, but have not finalized those negotiations. No assurance can be given that we will be successful in negotiating such an agreement with Mr. Tosé. We entered into the existing agreements to ensure the Named Executive Officers would perform their respective roles for an extended period of time and we considered the critical nature of the positions and our need to retain the individuals.

The agreements with our Named Executive Officers, except for Mr. Tosé, provide that if the executive is terminated for cause or terminates without good reason, we are obligated to pay only those wages and bonuses pursuant to the terms of our annual incentive plan and other compensation then vested. If the executive is terminated without cause or if he terminates the employment agreement for good reason, in addition to the payment of amounts then vested, in exchange for a general release of all claims, he is entitled to salary in an amount which is the greater of the current annual salary for the remaining term of the agreement, or six months salary.

In the alternative, if a Named Executive Officer's employment with us is terminated because of a change in control, as defined in the agreement, or within twelve months after a change in control, then he is entitled to one year's salary (except for Mr. Richard Young, Chief Operating Officer, who is entitled to two years salary). Additionally, all then outstanding stock options become immediately vested upon a change in control. We do not provide any tax gross-up for these change in control benefits. We believe these provisions are important to ensure that our executives remain with us through the closing of any sale of the business. The terms of these agreements are discussed in greater detail in the Employment Agreements section below.

Compensation Decisions for Fiscal 2012

The Compensation Committee met on February 9, 2012 to review and approve Named Executive Officer base salary amounts for 2012, and again April 13, 2012 to review and approve the Bonus Opportunity Plans for 2012 as described below.

Base Salary

Adjustments to our Named Executive Officers' base salaries for 2012 were made by the Compensation Committee based on an analysis of current market conditions, our operational budgets set for 2012 and information available to the Compensation Committee Chairman whose profession is executive recruiting, to consider executive salary levels in companies whose businesses intersect with certain facets of ours. Based on these factors, the Compensation Committee approved a 3.0% increase in base salary for each of our Named Executive Officers other than our CEO for 2012. After reviewing the reported data for base salaries of Chief Executive Officers at the companies in our peer group, and the 2011 operational achievements including income and earnings increases and the increase in the reported backlog, the Compensation Committee determined that the base salary for Mr. Tosé was not at the level which is comparable to Chief Executive Officers in the peer group and consequently approved an increase for Mr. Tosé of 4.2% for 2012.

Bonus Opportunity Plan Awards

Consistent with our emphasis on pay for performance incentive compensation programs, the Compensation Committee has established a Bonus Opportunity Plan for 2012 pursuant to which certain of our executive officers, including our Named Executive Officers, are eligible to receive Bonus Opportunity Plan awards based upon the established performance targets, including financial measures and other factors, including individual performance, all at the discretion of the Compensation Committee.

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Shown as a percentage of the total Bonus Opportunity Plan award at target in the following table, is the weighting of the measures to be used to determine award payments to the Named Executive Officers for the fiscal year ending December 31, 2012:

2012 Measures	CEO	COO	CFO	CTO	CMO
Company performance					
Revenue	20%	20%	10%	10%	10%
EBITDA	35%	10%	30%	10%	10%
Adjusted Net Income	25%	20%	30%	10%	10%
Cash & Marketable Securities at end of year	10%		10%		
Individual/Operating Unit contribution					
Revenue				20%	
EBITDA		50%		35%	
Maintain DSOs				5%	
Analyst Coverage			10%		
Internal Controls			5%		
Bank Covenants	10%		5%		
Subjective goals				10%	70%
	100%	100%	100%	100%	100%

2012 Bonus Opportunity Plan payout level based

on goal achievement

Bonus Adjustments Based on

Officer	At 100% (Target)	At 110%	Performance
CEO	200% of base salary	210% of base salary	1% increase in bonus pool for every 1% that EBITDA exceeds target.
COO	120% of base salary	130% of base salary	1% increase in bonus pool for every 1% that EBITDA exceeds target.
CFO	70% of base salary	80% of base salary	1% increase in bonus pool for every 1% that EBITDA exceeds target.
CTO	50% of base salary	60% of base salary	1% increase in bonus pool for every 1% that EBITDA exceeds target.
CMO	40% of base salary	50% of base salary	1% increase in bonus pool for every 1% that EBITDA exceeds target.

Tax Implications

Section 162(m) of the Internal Revenue Code generally disallows a federal income tax deduction to public corporations for compensation greater than \$1 million paid for any fiscal year to the corporation's Chief Executive Officer and to the three most highly compensated executive officers other than the Chief Executive Officer or Chief Financial Officer. However, certain forms of performance-based compensation are excluded from the \$1 million deduction limit if specific requirements are met. It is the policy of the Compensation Committee to periodically evaluate the qualification of compensation for exclusion from the \$1 million deduction limit under Section 162(m) of the Code, as well as other sections of the Code, while maintaining flexibility to take actions with respect to compensation that it deems to be in the interest of the Company and its stockholders which may not qualify for tax deductibility.

So that the Compensation Committee may retain maximum flexibility to structure performance targets based on corporate and individual metrics designed to achieve our various corporate goals, our Bonus Opportunity Plan does not conform to the requirements of Section 162(m). All stock option awards granted to our Named Executive Officers have been structured so that the compensation realized when the stock options are exercised should be treated as performance-based compensation exempt from the deduction limitation of Section 162(m).

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Stock Ownership Guidelines

Effective June 11, 2009, the Board adopted amended guidelines that Board members should maintain equity ownership in the corporation of a value equal to three times the annual retainer amount for Board members, for each three year term. New directors have three years from the date their service begins to accumulate the appropriate amount. The guideline also provides that in accumulating the equity ownership, a Director should strive to achieve at least one-third of the guideline ownership amount in each year of the three year period.

We have chosen not to require stock ownership by Named Executive Officers given their long tenure and the evolution of our Company; however the employment agreements with the Named Executive Officers contain restrictions on the number of shares that the Named Executive Officers may sell as follows:

(a) In any given calendar year, the Named Executive Officer shall not sell or otherwise dispose of a number of shares of our Class A Common Stock of the Company acquired under incentive stock awards (Incentive Stock Awards) in excess of the product of (i) ten percent (10%) times (ii) the sum of (A) the number of shares of Class A Common Stock to which the Executive holds title, determined as of the date immediately before the proposed sale or disposition date, that were issued pursuant to an Incentive Stock Award, plus (B) seventy percent (70%) of the number of shares of Class A Common Stock of the Company for which Incentive Stock Awards are exercisable determined as of the date immediately before the proposed sale or disposition date, and

(b) In any given calendar quarter, the Named Executive Officer shall not sell or otherwise dispose of a number of shares of Class A Common Stock of the Company acquired under Incentive Stock Awards in excess of the product of (i) two and one-half percent (2.5%) times (ii) the sum of (A) the number of shares of Class A Common Stock of the Company to which the Executive holds title, determined as of the date immediately before the proposed sale or disposition date, that were issued pursuant to an Incentive Stock Award, plus (B) seventy percent (70%) of the number of shares of Class A Common Stock for which Incentive Stock Awards are exercisable determined as of the date immediately before the proposed sale or disposition date.

Notwithstanding the sale restrictions set forth above the employment agreements with the Named Executive Officers allow for the sale of the greater of 10,000 shares per quarter (40,000 total per year) or the amount allowed by the formula described above.

We will continue to periodically review best practices and re-evaluate our position with respect to stock ownership guidelines.

Securities Trading Policy

Our securities trading policy states that executive officers, including the Named Executive Officers, and directors may not purchase or sell puts or calls to sell or buy our stock, or engage in short sales with respect to our stock.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis contained in this proxy statement with management. Based on these reviews and discussions, the committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's proxy statement for the 2012 Annual Meeting of Stockholders and incorporated by reference into the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

COMPENSATION COMMITTEE

James M. Bethmann (Chairman)

Weldon H. Latham

A. Reza Jafari

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The following table shows all compensation earned by our Chief Executive Officer, Chief Financial Officer and our three other most highly paid executive officers (collectively referred to as our Named Executive Officers) whose annual salary and bonus exceeded \$100,000 in the fiscal year ended December 31, 2011:

Summary Compensation Table

Name and Principal Position	Year	Salary(1)	Option Awards(2)	Stock Awards(3)	Non-Equity Incentive Comp. Plan(4)	All Other Compensation(5)	Total
Maurice B. Tosé	2011	\$ 590,342	\$ 324,121	\$ 919,064	\$ 720,000	\$ 98,429	\$ 2,651,956
Chief Executive Officer,	2010	519,919	900,621		209,093	83,848	1,713,481
President, and Chairman of	2009	497,530	900,722		2,264,195	80,072	3,742,519
the Board							
Richard A. Young	2011	\$ 386,641	\$ 190,246	\$ 539,452	\$ 189,370	\$ 53,873	\$ 1,359,582
Executive Vice President,	2010	374,723	562,888		82,855	42,392	1,062,858
Chief Operating Officer	2009	358,586	562,952		1,038,644	47,954	2,008,136
Thomas M. Brandt, Jr.	2011	\$ 336,230	\$ 147,970	\$ 419,571	\$ 141,733	\$ 50,124	\$ 1,095,628
Senior Vice President and	2010	325,866	450,310		45,868	37,461	859,505
Chief Financial Officer	2009	311,834	450,361		821,174	44,373	1,627,742
Drew A. Morin	2011	\$ 330,604	\$ 147,970	\$ 419,571	\$ 63,044	\$ 42,502	\$ 1,003,691
Senior Vice President and	2010	320,414	450,310		40,519	45,342	856,585
Chief Technology Officer	2009	306,616	450,361		740,553	40,146	1,537,676
Timothy J. Lorello	2011	\$ 297,067	\$ 74,689	\$ 211,784	\$ 89,446	\$ 44,380	\$ 717,366
Senior Vice President	2010	287,911	225,155		117,235	36,378	666,679
Commercial Sales & Chief	2009	275,512	225,181		684,005	37,073	1,221,771
Mkt. Officer							

- (1) Includes amounts earned but deferred at the election of the Named Executive Officer, such as salary deferrals under our 401(k) Plan and deferred compensation plan.
- (2) The amounts shown in this column reflect the aggregate grant date fair value of stock options granted during the year calculated in accordance with FASB ASC Topic 718. See Note 18 to our Consolidated Financial Statements in our Annual Report for each respective fiscal period for more information, including the assumptions used in calculating the grant date fair value.
- (3) The amounts shown in this column reflect the aggregate grant date fair value of stock awards granted during the year calculated in accordance with FASB ASC Topic 718. See Note 18 to our Consolidated Financial Statements in our Annual Report for each respective fiscal period for more information, including the assumptions used in calculating the grant date fair value.
- (4) Represents amounts earned under the Bonus Opportunity Plan in the year reported, even if the amount is actually paid in a subsequent period.

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- (5) Represents payments made to each of these executive officers in lieu of accrued unused vacation, plus matching contributions made by us under our 401(k) plan, health and life insurance premiums paid by us, and long-term disability (LTD) insurance premiums plus tax gross-ups thereon, as follows:

			All Other Compensation				Total
			Vacation Payout	401(k) Matching Contribution	Insurance Premiums	LTD Premiums	
Mr. Tose	2011	\$ 69,231	\$ 6,600	\$ 17,705	\$ 3,207	\$ 1,686	\$ 98,429
	2010	\$ 60,315	\$ 6,600	\$ 16,933	\$ 0	\$ 0	\$ 83,848
	2009	\$ 57,718	\$ 6,600	\$ 15,754	\$ 0	\$ 0	\$ 80,072
Mr. Young	2011	\$ 29,865	\$ 4,800	\$ 11,606	\$ 4,983	\$ 2,619	\$ 53,873
	2010	\$ 26,460	\$ 4,800	\$ 11,132	\$ 0	\$ 0	\$ 42,392
	2009	\$ 27,400	\$ 4,800	\$ 15,754	\$ 0	\$ 0	\$ 47,954
Mr. Brandt	2011	\$ 25,971	\$ 6,600	\$ 11,556	\$ 3,931	\$ 2,066	\$ 50,124
	2010	\$ 19,781	\$ 6,600	\$ 11,080	\$ 0	\$ 0	\$ 37,461
	2009	\$ 22,019	\$ 6,600	\$ 15,754	\$ 0	\$ 0	\$ 44,373
Mr. Morin	2011	\$ 18,278	\$ 6,600	\$ 17,624	\$ 0	\$ 0	\$ 42,502
	2010	\$ 21,541	\$ 6,595	\$ 17,206	\$ 0	\$ 0	\$ 45,342
	2009	\$ 17,797	\$ 6,595	\$ 15,754	\$ 0	\$ 0	\$ 40,146
Mr. Lorello	2011	\$ 21,800	\$ 0	\$ 17,705	\$ 3,195	\$ 1,680	\$ 44,380
	2010	\$ 19,147	\$ 0	\$ 17,231	\$ 0	\$ 0	\$ 36,378
	2009	\$ 21,319	\$ 0	\$ 15,754	\$ 0	\$ 0	\$ 37,073

The following tables provide information about options granted, exercised and held by the Named Executive Officers in the Summary Compensation Table at December 31, 2011 and non-equity incentive plan award opportunities granted in 2011.

2011 Grants of Plan-Based Awards

In the following table, we provide information concerning each grant of an award made to a Named Executive Officer in the most recently completed fiscal year. This includes cash compensation under the Bonus Opportunity Plan and stock option awards under the Stock Incentive Plan, each of which is discussed in greater detail in this Proxy Statement under the caption, Compensation Discussion and Analysis. The threshold, target and maximum columns reflect the range of estimated payouts under the Bonus Opportunity Plan. In the 8th and 9th columns, we report the number of shares of Class A Common Stock underlying options granted in the fiscal year and corresponding per-share exercise prices. In all cases, the exercise price was equal to the closing market price of our Class A Common Stock on the date of grant. Finally, in the last column, we report the aggregate grant date fair value, calculated in accordance with FASB ASC Topic 718, of all awards made in 2011.

Name	Award Type	Equity Award Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Stock Awards: Number of Securities (#)	Option Awards: Number of Underlying Securities (#)	Exercise Price of Option Awards (\$/sh)	Grant Date Fair Value of Stock and Option Awards (\$)
			Threshold (\$)	Target (\$)	Maximum (\$)				
Maurice B. Tosé	BOP(1)		\$ 600,000	\$ 1,200,000	(3)				
	Equity Awards(2)	2/9/2011				211,279	133,425	\$ 4.35	\$ 1,243,185
Richard A. Young	BOP(1)		\$ 232,831	\$ 465,661	(3)				
	Equity Awards(2)	2/9/2011				124,012	78,315	\$ 4.35	\$ 729,698
Thomas M. Brandt, Jr.	BOP(1)		\$ 134,974	\$ 236,205	(3)				
	Equity Awards(2)	2/9/2011				96,453	60,912	\$ 4.35	\$ 567,541
Drew A. Morin	BOP(1)		\$ 132,724	\$ 232,268	(3)				
	Equity Awards(2)	2/9/2011				96,453	60,912	\$ 4.35	\$ 567,541
Timothy J. Lorello	BOP(1)		\$ 119,228	\$ 238,455	(3)				
	Equity Awards(2)	2/9/2011				48,686	30,746	\$ 4.35	\$ 286,473

(1) Information relates to the Bonus Opportunity Plan for 2011.

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- (2) Granted under the Stock Incentive Plan. The stock options granted to the Named Executive Officers in 2011 have a 10-year term and vest in equal increments on each of the three successive anniversaries of the grant date. Stock options have no express performance criteria other than continued employment (with limited exceptions for termination of employment due to death, disability, reduction-in-force and change in control). However, options have an implicit performance criterion because the options have no value to the executive until they vest and unless and until our stock price exceeds the exercise price. The stock awards are in the form of restricted shares, and vest in equal increments on each of the three successive anniversaries of the grant date. The restricted shares have no express performance criteria other than continued employment. For additional information, refer to Note 18 to our Consolidated Financial Statements in our Annual Report.

- (3) The Bonus Opportunity Plan provides for incremental increases in the potential payout amount in the event certain performance results exceed the specified goals, and does not specify a maximum amount.

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The following table provides information concerning unexercised options, stock that has not vested, and equity plan awards for each Named Executive Officer outstanding as of the end of our most recently completed fiscal year. Each outstanding award is represented by a separate row which indicates the number of securities underlying the award, including awards that have been transferred other than for value (if any).

	Option Awards					Stock Awards	
	Securities Underlying	Securities Underlying	Exercise		Shares or Units of Stock	Market Value	
	Options (#) Exercisable	Options (#) Unexercisable	Price (\$)	Expiration Date	(#) Unvested	of Stock (\$)	
Maurice B. Tosé	2/15/2002	135,000	0	\$ 3.10	2/15/2012	0	\$ 0
	2/26/2004	436,404	0	\$ 6.81	2/26/2014	0	\$ 0
	6/9/2005	266,855	0	\$ 2.52	6/9/2015	0	\$ 0
	3/8/2006	284,990	0	\$ 2.39	3/8/2016	0	\$ 0
	2/6/2007	375,000	0	\$ 3.69	2/6/2017	0	\$ 0
	1/28/2008	400,000	0	\$ 3.09	1/28/2018	0	\$ 0
	3/2/2009	133,333	66,667	\$ 7.95	3/2/2019	0	\$ 0
	2/8/2010	66,600	133,400	\$ 8.17	2/8/2020	0	\$ 0
	2/9/2011	0	133,425	\$ 4.35	2/9/2021	211,279	\$ 496,506
Richard A. Young	2/15/2002	75,000	0	\$ 3.10	2/15/2012	0	\$ 0
	2/26/2004	279,013	0	\$ 6.81	2/26/2014	0	\$ 0
	6/9/2005	136,153	0	\$ 2.52	6/9/2015	0	\$ 0
	3/8/2006	104,104	0	\$ 2.39	3/8/2016	0	\$ 0
	2/6/2007	230,000	0	\$ 3.69	2/6/2017	0	\$ 0
	1/28/2008	250,000	0	\$ 3.09	1/28/2018	0	\$ 0
	3/2/2009	83,333	41,667	\$ 7.95	3/2/2010	0	\$ 0
	2/8/2010	41,625	83,375	\$ 8.17	2/8/2020	0	\$ 0
	2/9/2011	0	78,315	\$ 4.35	2/9/2021	124,012	\$ 291,428
Thomas M. Brandt, Jr.	2/15/2002	48,000	0	\$ 3.10	2/15/2012	0	\$ 0
	2/26/2004	157,392	0	\$ 6.81	2/26/2014	0	\$ 0
	6/9/2005	152,180	0	\$ 2.52	6/9/2015	0	\$ 0
	3/8/2006	157,907	0	\$ 2.39	3/8/2016	0	\$ 0
	2/6/2007	170,000	0	\$ 3.69	2/6/2017	0	\$ 0
	1/28/2008	200,000	0	\$ 3.09	1/28/2018	0	\$ 0
	3/2/2009	66,666	33,334	\$ 7.95	3/2/2010	0	\$ 0
	2/8/2010	33,300	66,700	\$ 8.17	2/8/2020	0	\$ 0
	2/9/2011	0	60,912	\$ 4.35	2/9/2021	96,453	\$ 226,665
Drew A. Morin	2/15/2002	63,000	0	\$ 3.10	2/15/2012	0	\$ 0
	2/26/2004	157,392	0	\$ 6.81	2/26/2014	0	\$ 0
	6/9/2005	152,180	0	\$ 2.52	6/9/2015	0	\$ 0
	3/8/2006	162,522	0	\$ 2.39	3/8/2016	0	\$ 0
	2/6/2007	170,000	0	\$ 3.69	2/6/2017	0	\$ 0
	1/28/2008	200,000	0	\$ 3.09	1/28/2018	0	\$ 0
	3/2/2009	66,666	33,334	\$ 7.95	3/2/2010	0	\$ 0
	2/8/2010	33,300	66,700	\$ 8.17	2/8/2020	0	\$ 0
	2/9/2011	0	60,912	\$ 4.35	2/9/2021	96,453	\$ 226,665
Timothy J. Lorello	2/15/2002	63,000	0	\$ 3.10	2/15/2012	0	\$ 0
	2/26/2004	100,158	0	\$ 6.81	2/26/2014	0	\$ 0
	6/9/2005	55,400	0	\$ 2.52	6/9/2015	0	\$ 0
	3/8/2006	20,417	0	\$ 2.39	3/8/2016	0	\$ 0
	2/6/2007	63,000	0	\$ 3.69	2/6/2017	0	\$ 0
	1/28/2008	100,000	0	\$ 3.09	1/28/2018	0	\$ 0
	3/2/2009	33,333	16,667	\$ 7.95	3/2/2010	0	\$ 0
	2/8/2010	16,650	33,350	\$ 8.17	2/8/2020	0	\$ 0
	2/9/2011	0	30,746	\$ 4.35	2/9/2021	48,686	\$ 114,412

The value of the restricted share awards was calculated based on the market price of our Class A Common Stock as of December 30, 2011.

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Vesting dates of unvested option and stock awards are as follows:

Vesting Date	Mr. Tosé		Mr. Young		Mr. Brandt		Mr. Morin		Mr. Lorello	
	# Options	# Shares	# Options	# Shares	# Options	# Shares	# Options	# Shares	# Options	# Shares
2/8/2012	66,600		41,625		33,300		33,300		16,650	
2/9/2012	44,430	70,355	26,078	41,295	20,283	32,118	20,283	32,118	10,238	16,212
3/2/2012	66,667		41,667		33,334		33,334		16,667	
2/8/2013	66,800		41,750		33,400		33,400		16,700	
2/9/2013	44,431	70,356	26,079	41,296	20,284	32,119	20,284	32,119	10,238	16,212
2/9/2014	44,564	70,568	26,158	41,421	20,345	32,216	20,345	32,216	10,270	16,262

2011 Option Exercises and Stock Vested

The following table provides information concerning exercises of stock options during the most recently completed fiscal year for each Named Executive Officer on an aggregated basis. There were no stock awards that vested during 2011 held by our Named Executive Officers.

Name	Option Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized On Exercise (\$)
Maurice B. Tosé	106,134	\$ 188,028
Richard A. Young	58,315	\$ 103,312
Thomas M. Brandt, Jr.	0	\$ 0
Drew A. Morin	8,700	\$ 10,788
Timothy J. Lorello	16,323	\$ 31,014

Equity Compensation Plan Information

The following table provides information for all equity compensation plans at December 31, 2011, under which our equity securities were authorized for issuance:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in
			Column (a) (c)
Equity compensation plans approved by security holders	16,442,072	\$ 5.16	6,975,512
Equity compensation plans not approved by security holders	None	N/A	None
Total	16,442,072	\$ 5.16	6,975,512

Table of Contents**Employment Agreements**

We have entered into employment agreements with Messrs. Young, Brandt, Morin and Lorello which became effective February 1, 2010. See also the Employment Agreements, Severance Benefits and Change in Control Provisions section of the Compensation Discussion and Analysis portion of this Proxy Statement. The employment agreements provide for the executives' annual salaries as adjusted annually by the Board of Directors, and give them the opportunity to participate in bonus or incentive compensation plans of the Company, if any. The agreements state an initial term of one year from the effective date, and automatically extend for additional one-year increments until terminated by us or the individuals.

The individuals may resign their employment voluntarily by giving 90 days notice to the Board of Directors. If we terminate any of the individuals without cause or if the individual resigns with good reason, he is entitled to receive from us his earned bonus plus an amount equal to the greater of the salary he would have received during the balance of the term of the employment contract, or six months. Under the agreements, cause means committing an act of gross negligence or other willful act that materially adversely affects TCS, acts of dishonesty involving fraud or embezzlement or being convicted or pleading no contest to a felony involving theft or moral turpitude. Under the agreements, good reason includes circumstances that constitute a material diminution in authority, require the individual to physically relocate more than 75 miles and any material breach by the Company of its obligations under the agreement. If we terminate an individual's employment without cause, or if he resigns for good reason, upon or within 12 months after a change in control, he is entitled to receive from us an amount based upon his annual salary. Mr. Young is entitled to receive two times his annual salary, and the other individuals are entitled to receive one times their annual salary. The following table summarizes estimated payments to the Named Executive Officers upon termination without cause or resignation for good reason prior to or after a change in control assuming that the termination event was effective as of the last day of the most recently completed fiscal year, or December 31, 2011.

Name	Potential Payments upon	Potential Payments upon
	Termination Without Cause	Termination Without Cause
	Or For Good Reason	Or for Good Reason
		after
		a Change in Control
Richard A. Young	\$ 194,026	\$ 776,102
Thomas M. Brandt, Jr.	168,718	337,436
Drew A. Morin	165,906	331,811
Timothy J. Lorello	149,035	298,069

Pursuant to the agreements, vesting of any stock options awarded to the individuals shall be immediately accelerated in the event of a change of control as defined in the agreements. The following table summarizes the intrinsic value of stock options that would be accelerated upon a change of control, assuming that a change of control event occurred on December 31, 2011.

Name	Intrinsic Value of
	Stock Options Accelerated
	Upon Change in
	Control(1)
Richard A. Young	\$ 0
Thomas M. Brandt, Jr.	0
Drew A. Morin	0
Timothy J. Lorello	0

- (1) Intrinsic value was determined by subtracting the exercise price of in-the-money stock options from the market price on December 31, 2011, multiplied by the number of shares underlying outstanding in-the-money stock options unvested as of December 31, 2011.

Table of Contents**2011 Non-Qualified Deferred Compensation**

The following table sets forth information with respect to the non-qualified deferred compensation arrangements in effect during 2011 for the Named Executives.

Name (a)	Executive Contribution in Last FY (\$) (b)	Registrant Contributions in Last FY (\$) (c)	Aggregate Earnings in Last FY (\$) (d)	Aggregate Withdrawals/ Distributions (\$) (e)	Aggregate Balance at Last FYE (\$)(2) (f)
Maurice B. Tosé	\$	\$	\$	\$	\$
Richard A. Young					
Thomas M. Brandt, Jr.				561,917	
Drew A. Morin	92,799(1)		(4,423)	202,021	441,295
Timothy J. Lorello					

(1) \$86,007 of this amount is included in the Salary column, and \$10,148 of this amount is included in the Non-Equity Incentive Compensation Plan column of the Summary Compensation Table.

(2) Includes amounts reported in columns (b) and (d) of this table plus such amounts previously reported in the Company's Summary Compensation Table in previous years if such compensation was required to be disclosed.

Table of Contents**AUDIT COMMITTEE REPORT**

For the fiscal years ended December 31, 2011 and 2010, professional services were performed by Ernst & Young LLP. Total fees paid to Ernst & Young LLP aggregated \$736,000 and \$1,108,000 for the fiscal years ended December 31, 2011 and 2010, respectively, and were composed of the following:

	Years ended	
	December 31	
	(\$000)	
	2011	2010
Audit Fees	\$ 712	\$ 825
Audit-Related Fees	54	94
Tax Fees	0	189
All Other Fees	0	0
Total Professional Services	\$ 766	\$ 1,108

Audit Fees: The aggregate fees billed for the audit of the annual financial statements for the fiscal years ended December 31, 2011 and 2010, for reviews of the financial statements included in the TCS Quarterly Reports on Form 10-Q, for testing and evaluating internal controls over financial reporting and for assistance with and review of documents filed with the SEC were \$712,000 for 2011 and \$825,000 for 2010. Audit Fees in 2010 were higher than in 2011 because of additional audit work resulting from the Company's acquisition of Trident Space and Defense LLC which occurred in 2010 and closed in early 2011.

Audit-Related Fees: Audit related fees include: attest services that are not required by statute or regulation, internal control reviews and consultations concerning evaluating internal controls over financial reporting and other financial accounting/reporting matters. The aggregate fees billed for audit-related services for the fiscal years ended December 31, 2011 and 2010 were \$24,000 and \$94,000, respectively. The 2010 reported fees were for due diligence assistance related to our purchase of Trident Space and Defense LLC.

Tax Fees: Tax fees relate to fees billed for professional services performed by Ernst & Young LLP with respect to tax compliance, tax advice and tax planning. The Company began recording a provision for income tax in 2009 for the first time. We paid \$189,000 fees to Ernst & Young for tax services for the fiscal year ended December 31, 2010, but \$0 in 2011.

All Other Fees: All other fees consist of aggregate fees billed by Ernst & Young LLP for products and services other than the services reported above. We paid no fees to Ernst & Young for other services for the fiscal years ended December 31, 2011 and 2010.

Report of the Audit Committee

The Committee reviewed the adequacy of the Committee charter and determined to recommend no changes to the Board for approval.

The Committee reviewed and discussed with the independent registered public accounting firm, who are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of TCS's accounting principles and such other matters as are required to be discussed with the Committee under generally accepted auditing standards, as well as the matters required to be discussed by Statement on Auditing Standards No. 61 (Communications with Audit Committees), as amended. The Committee discussed with TCS's independent registered public accounting firm the overall scope and plans for their respective audits. In addition, the Committee has discussed with the independent registered public accounting firm, with and without management present, the results of their examinations, their evaluations of TCS's internal controls, and the overall quality of TCS's financial reporting. The Committee received from the independent registered public accounting firm written disclosures regarding the auditors' independence required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and the Committee discussed with the independent registered public accounting firm that firm's independence and considered the compatibility of non-audit services with the auditors' independence.

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The Committee also discussed and assessed with management and Ernst & Young LLP, management's report and Ernst & Young LLP's report and attestation on internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. The Company's director of Internal Audit, who reports directly to the Audit Committee, met in executive session with the Committee (without management present) to report on his review of the Company's system of internal controls.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors and the Board has approved the inclusion of the audited financial statements in the Annual Report on Form 10-K for the year ended December 31, 2011 for filing with the SEC. The Committee has also approved the selection of Ernst & Young LLP as TCS's independent registered public accounting firm for 2012. Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting of Stockholders on June 14, 2012 with the opportunity to make a statement if they desire to do so, and they will be available to respond to appropriate questions. The Audit Committee considered whether the provision by Ernst & Young LLP of the services entitled all other fees as discussed below is compatible with maintaining Ernst & Young LLP's independence.

The Audit Committee annually approves each year's engagement for audit services in advance. The Committee has also established procedures to require pre-approval of all audit-related, tax and permitted non-audit services provided by Ernst & Young LLP. Fees for any of these services that will exceed the pre-approval fee limits or fees not contemplated by the original pre-approval must be separately approved by the Audit Committee. The Audit Committee may delegate pre-approval authority to one or more of its members. Any such fees pre-approved in this manner shall be reported to the Audit Committee at its next scheduled meeting. All services described above were pre-approved by the Audit Committee in fiscal 2011.

The Audit Committee has designated Mr. Thomas M. Brandt, Jr., Chief Financial Officer, to monitor the performance of all services provided by the independent auditors and to determine whether such services are in compliance with this policy. Mr. Brandt reports to the Audit Committee on a periodic basis the results of this monitoring. Any member of executive management will immediately report to the chairman of the Audit Committee any breach of this policy that comes to the attention of any member of management.

AUDIT COMMITTEE

Jon B. Kutler, Chairman

Jan C. Huly

A. Reza Jafari

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OTHER INFORMATION

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires that our directors and executive officers, and persons that beneficially own more than 10% of our Class A Common Stock, file with the SEC initial reports of ownership and reports of changes in ownership of our Class A Common Stock and other equity securities. Copies of these reports must be filed with us. Based solely on our review of the copies of these reports filed with us, and written representations that no other reports were required, to our knowledge, all reports required by Section 16(a) were timely filed in 2011 except as follows: Each of the Named Executive Officers filed one Form 4 sixteen days late which resulted from administrative oversight.

Certain Relationships and Related Transactions

In February 2003, we entered into a lease with Annapolis Partners LLC to explore the opportunity of relocating our Annapolis offices to a planned new real estate development. Our President and Chief Executive Officer owns a controlling voting and economic interest in Annapolis Partners LLC and he also serves as a member. The financial and many other terms of the lease have not yet been established. The lease is subject to several contingencies and rights of termination. For example, the lease can be terminated at the sole discretion of our Board of Directors if the terms and conditions of the development are unacceptable to us, including without limitation the circumstances that market conditions make the lease not favorable to us or the overall cost is not in the best interest of us or our stockholders, or any legal or regulatory restrictions apply. Our Board of Directors will evaluate this opportunity along with alternatives that are or may become available in the relevant time periods and there is no assurance that we will enter into a definitive lease at this new development site.

Other Matters

We do not know of any matters to be presented at the Annual Meeting other than those mentioned in this Proxy Statement. If any other matters are properly brought before the Annual Meeting, it is intended that Messrs. White and Brandt will vote the proxies in accordance with their best judgment.

Stockholders Sharing the Same Address

In accordance with notices previously sent to many stockholders who hold their shares through a bank, broker or other holder of record and share a single address, only one Annual Report and Proxy Statement is being delivered to that address unless contrary instructions from any stockholder at that address were received. This practice, known as householding, is intended to reduce our printing and postage costs. However, any such street-name stockholder residing at the same address who wishes to receive a separate copy of this Proxy Statement or accompanying Annual Report may request a copy by contacting the bank, broker or other holder of record, or the Company by telephone at: 410.263.7616. The voting instruction sent to a street-name stockholder should provide information on how to request (1) householding of future Company materials or (2) separate materials if only one set of documents is being sent to a household. If it does not, a stockholder who would like to make one of these requests should contact the Company as indicated above.

Annual Report to Stockholders

The Annual Report of the Company, including financial statements of the Company for the fiscal year ended December 31, 2011 is being mailed to the stockholders with this Proxy Statement. You may request, without charge, a copy of the Annual Report, as filed with the SEC, by addressing a request to TeleCommunication Systems, Inc., 275 West Street, Annapolis, Maryland 21401 Attention: Investor Relations.

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