

L 3 COMMUNICATIONS HOLDINGS INC  
Form DEF 14A  
March 23, 2016  
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## 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 §240.14a-12

**L-3 COMMUNICATIONS HOLDINGS, INC.**

(Name of Registrant as Specified in Its Charter)

Payment of Filing Fee (Check the appropriate box):

No fee required.

## Edgar Filing: L 3 COMMUNICATIONS HOLDINGS INC - Form DEF 14A

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:
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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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Notice of  
Annual Meeting  
2016 of Shareholders  
and Proxy  
Statement

L-3 Communications

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L-3 Communications  
600 Third Avenue  
New York, NY 10016

**Dear Fellow Shareholder:**

On behalf of the Board of Directors, I cordially invite you to attend the Annual Meeting of Shareholders of L-3 Communications Holdings, Inc., to be held at 2:30 p.m., Eastern Daylight Time, on Tuesday, May 3, 2016, at The Ritz-Carlton New York, Battery Park, located at Two West Street, New York, New York 10004. The notice and proxy statement for the Annual Meeting are attached to this letter and describe the business to be conducted at the Annual Meeting.

At this year's meeting, we will vote on the election of 10 directors, the ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm, the approval, in a non-binding, advisory vote, of the compensation paid to our named executive officers, the approval of an amendment and restatement to the L-3 Communications Holdings, Inc. Amended and Restated 2008 Long Term Performance Plan, the adoption of a merger agreement to eliminate our holding company structure, and, if properly presented, one shareholder proposal. There also will be a report on the Company's business, and shareholders will have an opportunity to ask questions.

In accordance with the rules of the Securities and Exchange Commission, we sent a Notice of Internet Availability of Proxy Materials on or about March 23, 2016 to our shareholders of record as of the close of business on March 7, 2016. We also provided access to our proxy materials over the Internet beginning on that date. If you received a Notice of Internet Availability of Proxy Materials by mail and did not receive, but would like to receive, a printed copy of our proxy materials, you should follow the instructions for requesting such materials included on page 6 of this proxy statement or in the Notice of Internet Availability of Proxy Materials.

To have your vote recorded, you should vote over the Internet or by telephone. In addition, if you have requested or received a paper copy of the proxy materials, you may vote by signing, dating and returning the proxy card sent to you in the envelope accompanying the proxy materials sent to you. We encourage you to vote by any of these methods even if you currently plan to attend the Annual Meeting. By doing so, you will ensure that your shares are represented and voted at the Annual Meeting. If you decide to attend, you can still vote your shares in person if you wish. If you wish to attend the Annual Meeting in person, you will need to register and request an admission ticket in advance. You can register and request a ticket by following the instructions set forth on page 10 of this proxy statement.

On behalf of the Board of Directors, I thank you for your cooperation and look forward to seeing you on May 3, 2016.

**March 23, 2016**

Very truly yours,

**Michael T. Strianese**

Chairman and Chief Executive Officer

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L-3 Communications

**NOTICE OF 2016 ANNUAL MEETING OF  
SHAREHOLDERS OF L-3 COMMUNICATIONS HOLDINGS, INC.**

**DATE AND TIME:** Tuesday, May 3, 2016 at 2:30 p.m., Eastern Time

**PLACE:** The Ritz-Carlton New York, Battery Park  
Two West Street  
New York, New York 10004

- ITEMS OF BUSINESS:**
- 1) To elect the 10 Directors listed in the accompanying proxy statement (the Proxy Statement );
  - 2) To ratify the appointment of our independent registered public accounting firm for 2016 (the Auditor Ratification Proposal );
  - 3) To approve, in a non-binding, advisory vote, the compensation paid to our named executive officers as described herein (the Say-on-Pay Proposal );
  - 4) To approve an amendment to the L-3 Communications Holdings, Inc. Amended and Restated 2008 Long Term Performance Plan (the Amended and Restated Plan Proposal );
  - 5) To adopt an Agreement and Plan of Merger effecting the elimination of our holding company structure as described herein (the Merger Proposal );
  - 6) To consider a shareholder proposal to amend and restate the Company s Amended and Restated Certificate of Incorporation (the Certificate of Incorporation ) to permit shareholders to take action by written consent (the Shareholder Written Consent Proposal ); and
  - 7) To transact such other business as may properly come before the Annual Meeting and any adjournments or postponements thereof.

**WHO CAN VOTE:** You are entitled to vote if you were a shareholder of record at the close of business on Monday, March 7, 2016 (the Record Date ).

**VOTING:** We urge you to participate in the meeting, either by attending and voting in person or by voting through other acceptable means as promptly as possible. You may vote by telephone, through the Internet or by mailing your completed and signed proxy card (or voting instruction form, if you hold your shares through a broker, bank or other nominee). Each share is entitled to one vote on each matter to be voted upon at the annual meeting. Your vote is important and we urge you to vote.

**MEETING ADMISSION:** If you plan to attend the meeting, you must request an admission ticket in advance. To request an admission ticket, please follow the instructions on page 10 in response to Question 16 of the accompanying Proxy Statement.

**2015 ANNUAL REPORT:** A copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 accompanies this Proxy Statement.

**DATE OF DISTRIBUTION:** This Notice, the Proxy Statement and proxy card are first being made available or mailed to shareholders on or about March 23, 2016.

**By Order of the Board of Directors**

**Steven M. Post**  
Senior Vice President, General Counsel and

Corporate Secretary

**March 23, 2016**

New York, New York

**Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be held on May 3, 2016.**

The following proxy materials are available for you to view online at <http://www.L-3com.com>: (1) this Proxy Statement (including all attachments, if any); (2) our Summary Annual Report and Annual Report on Form 10-K, in each case for the year ended December 31, 2015 (which is not deemed to be part of the official proxy soliciting materials); and (3) any amendments to the foregoing materials that are required to be furnished to shareholders. In addition, if you have not received a copy of our proxy materials and would like one, you may download an electronic copy of our proxy materials or request a paper copy at <http://www.L-3com.com>. You will also have the opportunity to request paper or email copies of our proxy materials for all future Annual Meetings.

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This summary highlights information about L-3 Communications Holdings, Inc. (the Company, L-3, we, our or us) and certain information contained elsewhere in this Proxy Statement for L-3's 2016 Annual Meeting of Shareholders (the Annual Meeting or the meeting). This summary does not contain all of the information that you should consider in voting your shares of L-3 common stock, par value \$0.01 per share (the Common Stock). You should read the entire Proxy Statement carefully before voting.

**VOTING MATTERS AND BOARD RECOMMENDATIONS**

<b>Proposal</b>		<b>Board Vote Recommendation</b>	<b>Page Reference</b>
Proposal 1	Election of Directors	FOR	11
Proposal 2	Auditor Ratification Proposal	FOR	17
Proposal 3	Say-on-Pay Proposal	FOR	18
Proposal 4	Amended and Restated Plan Proposal	FOR	20
Proposal 5	Merger Proposal	FOR	28
Proposal 6	Shareholder Written Consent Proposal	NONE	33

**CASTING YOUR VOTE**

<b>How to Vote</b>	<b>Shareholders of Record</b> (Shares registered in your name with L-3's transfer agent, Computershare)	<b>Street Name Holders</b> (Shares held through a Broker, Bank or Other Nominee) and 401(k) Participants
<b>Mobile Device</b>	Scan the QR Code to vote using your mobile device:	Refer to voting instruction form.
<b>Internet</b>	Visit the applicable voting website: <a href="http://www.proxyvote.com">www.proxyvote.com</a>	<a href="http://www.proxyvote.com">www.proxyvote.com</a>
<b>Telephone</b>	Within the United States, U.S. Territories and Canada, call toll-free: 1-800-690-6903	Refer to voting instruction form.
<b>Mail</b>	Complete, sign and mail your proxy card or voting instruction form in the self-addressed envelope provided to you, following your request, if any.	

**In Person** For instructions on attending the 2016 Annual Meeting in person, please see Question 16 on page 10.

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## PROXY STATEMENT SUMMARY

**BOARD NOMINEES**

You are being asked to vote on the following ten nominees for director. All directors are elected annually by a majority of the votes cast. Information about each director's experiences, qualifications, attributes and skills can be found beginning on page 11.

Director			Board	Committee	
Name	Age	Since	Principal Occupation	Independent	Membership*
Claude R. Canizares	70	2003	Vice President and Bruno Rossi Professor of Physics, Massachusetts Institute of Technology	Yes	AC
Thomas A. Corcoran	71	1997	Senior Advisor, The Carlyle Group and President, Corcoran Enterprises, LLC	Yes	AC
Ann E. Dunwoody	63	2013	General (Ret.), U.S. Army	Yes	NC
Lewis Kramer	68	2009	Retired Partner, Ernst & Young LLP	Yes	AC, CC, EC
Robert B. Millard	65	1997	Chairman, Massachusetts Institute of Technology Corporation	Yes	CC, EC
Lloyd W. Newton	73	2012	General (Ret.), U.S. Air Force and Retired Executive Vice President, Pratt & Whitney Military Engines.	Yes	CC
Vincent Pagano, Jr.	65	2013	Retired Partner, Simpson Thacher & Bartlett LLP	Yes	AC, NC, EC
H. Hugh Shelton	74	2011	General (Ret.), U.S. Army	Yes	NC
Arthur L. Simon	84	2001	Retired Partner, Coopers & Lybrand LLP	Yes	AC, NC
Michael T. Strianese	60	2006	Chairman and CEO, L-3	No	EC

\* AC Audit Committee      NC Nominating/Corporate Governance Committee

CC Compensation Committee      EC Executive Committee

**CORPORATE GOVERNANCE HIGHLIGHTS**

<ul style="list-style-type: none"> <li>┆ Annual election of directors</li> </ul>	<ul style="list-style-type: none"> <li>┆ Shareholder right to call special meetings</li> </ul>	<ul style="list-style-type: none"> <li>┆ Strong pay-for-performance philosophy</li> </ul>
<ul style="list-style-type: none"> <li>┆ Directors elected by majority voting</li> <li>┆ 9 of our 10 director nominees are independent</li> </ul>	<ul style="list-style-type: none"> <li>┆ Over 75% average Board and Committee meeting attendance for each director in 2015</li> </ul>	<ul style="list-style-type: none"> <li>┆ Comprehensive political contributions disclosure policy and compliance program</li> </ul>
<ul style="list-style-type: none"> <li>┆ Independent lead director</li> </ul>	<ul style="list-style-type: none"> <li>┆ Annual Board and Committee self-evaluations</li> </ul>	<ul style="list-style-type: none"> <li>┆ Board participation in executive succession planning</li> </ul>
<ul style="list-style-type: none"> <li>┆ All NYSE-required Board committees consist solely of independent directors</li> </ul>	<ul style="list-style-type: none"> <li>┆ Comprehensive code of ethics and business conduct and corporate governance guidelines</li> </ul>	<ul style="list-style-type: none"> <li>┆ Stock ownership guidelines for directors and executive officers</li> </ul>
<ul style="list-style-type: none"> <li>┆ Regular executive sessions of independent directors</li> </ul>	<ul style="list-style-type: none"> <li>┆ No shareholder rights plan or poison pill</li> </ul>	<ul style="list-style-type: none"> <li>┆ Policy prohibiting hedging or pledging</li> <li>┆ Compensation clawback policy</li> </ul>

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**SHAREHOLDER ENGAGEMENT**

In recent years, the Company has made a concerted effort to engage with its shareholders both during and outside the proxy season. In 2015, these outreach efforts resulted in dialogue with shareholders representing over 52% of the Company's outstanding Common Stock to solicit their input on a wide range of topics, including executive compensation, business strategy, portfolio shaping, capital allocation and financing strategy, and other strategic, financial, and governance-related matters. In addition, during 2015, our Lead Independent Director, Robert B. Millard, met with some of our largest shareholders.

In 2015, a shareholder proposal recommending that we amend our Amended and Restated Bylaws (the Bylaws) to permit shareholders owning 20% or more of the Company's outstanding Common Stock to call a special meeting of shareholders (the Proposal) received support from 61% of the shares voted on the Proposal. Following its initial review of the vote on the Proposal, the Board concluded that it would be appropriate to amend the Bylaws to enable shareholders representing at least 20% of the outstanding Common Stock to call a special meeting. The Board determined, however, that although the Proposal was silent as to any required holding period, it would also be appropriate to include a one-year holding period to ensure that this important right could only be exercised by shareholders with the long-term best interests of the Company in mind.

The Board then directed management to reach out to its top 50 shareholders representing approximately 64% of the Company's outstanding Common Stock to solicit their input with regard to the implementation of this proposed bylaw amendment, particularly with respect to the ownership threshold and a required holding period. We spoke to our top ten shareholders representing approximately 40% of the Company's outstanding Common Stock. Eight of our top ten shareholders, representing 37% of our outstanding Common Stock, were comfortable with a 20% threshold and also supported the Board's views that a one-year holding period was in the best interest of the Company and its shareholders. As a matter of policy, two of our top ten shareholders stated they could not express a definitive view with respect to the Company's approach. Out of the top 50 shareholders that we were able to speak to, only one (representing less than 1% of our outstanding Common Stock) expressed a view against a one-year holding period. Of the eight of our top ten shareholders that supported the Company's proposed response to the Proposal, at the 2015 Annual Meeting, five voted in favor of the Proposal, one represented a fund complex where certain funds voted for the Proposal and certain funds voted against the Proposal and two voted against the Proposal.

After considering the results of the outreach program, the Board determined to amend the Bylaws to permit shareholders owning at least 20% of our outstanding Common Stock to call a special meeting, provided they meet the one-year holding period requirement.

Our Investor Relations department is the contact point for shareholder interaction with the Company. Shareholders may also access investor information about the Company through our website at [www.L-3com.com/investor-relations](http://www.L-3com.com/investor-relations).

**SUMMARY OF 2015 BUSINESS PERFORMANCE**

- i Our electronic systems and communication systems segments achieved solid operational and financial performance that exceeded their segment plans. However, our overall performance was adversely affected



by losses on Head-of-State aircraft modification contracts in our aerospace systems segment, and sales and margin declines in our national security solutions and logistics solutions businesses. Accordingly, our diluted earnings per share and free cash flow performance fell below our annual incentive plan targets by 5% and 3%, respectively, and we further incurred substantial non-cash goodwill impairment charges.

- i We undertook significant strategic actions to reshape our business portfolio for future success. In December 2015, we agreed to sell our national security solutions segment for approximately \$550 million, and completed the sale in February 2016. We also completed three acquisitions and four divestitures in 2015, including the sale of Marine Systems International for approximately 295 million. We believe these actions sharpen our focus on L-3's core businesses, improve our competitive position, and strengthen our ability to achieve future sales growth and margin expansion.
  
- i We repurchased \$740 million of our Common Stock and paid dividends of \$214 million following our 11<sup>th</sup> consecutive annual dividend increase, returning over \$950 million of cash to our shareholders in 2015. We also repaid approximately \$300 million of our outstanding debt.

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- We strengthened the Company's senior executive management team by appointing Christopher E. Kubasik to the new position of President and Chief Operating Officer, and Mark Von Schwarz as President of our aerospace systems segment.
- We remediated the Company's material weaknesses in its internal controls over financial reporting, which were identified in 2014 following an internal review of financial reporting matters at our aerospace systems segment discussed in last year's proxy statement.
- Our total shareholder return (TSR) for the three years ended December 31, 2015 was 67%, which fell below the minimum TSR-based performance goal relative to our peer companies under our long-term incentive plan, but compares favorably to the 53% TSR of the S&P 500 Index for this period.

For more information regarding L-3's 2015 performance, please review our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

**EXECUTIVE COMPENSATION PROGRAM SUMMARY**

**2015 Target Pay and Incentive Plan Payouts**

- We target base salaries and annual and long-term incentive opportunities for our executive officers named in the Summary Compensation Table on page 68 (named executive officers or NEOs) to approximate market median compensation levels, subject to adjustments based on experience, performance, other individual factors and as otherwise appropriate. For 2015, the target pay for each of our NEOs was within a competitive range that approximates 85% to 115% of market median.
- Calculated annual incentive plan payouts for 2015 reflect our 2015 business performance, and were below target for our corporate NEOs, but above target for our group NEOs who serve as the presidents of our segments that exceeded their respective financial plans for the year. Notwithstanding the formula-based calculation of these payouts, after considering all aspects of the Company's financial performance for 2015 including the non-cash goodwill impairment charges described above, management recommended and the Committee agreed that the calculated payouts should be reduced substantially for the corporate NEOs, and to a lesser degree for the group NEOs. Similarly, payouts under our long-term performance awards were substantially below target.

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## PROXY STATEMENT SUMMARY

**Key Governance Features of Our Executive Compensation Program**

At the 2015 Annual Meeting, more than 92% of the votes cast approved, on a non-binding advisory basis, the compensation of our NEOs, demonstrating the effectiveness of the substantive changes made to our compensation program over the past several years in response to shareholder feedback. The following summary highlights our commitment to executive compensation practices that reinforce our pay-for-performance culture and includes corporate governance practices that are considered by investors to reflect market best practices:

What We Do	What We Don't Do
<b>Pay-for-Performance</b> Emphasis on long-term, performance-based compensation and meaningful stock ownership guidelines to align executive and shareholder interests	<b>No Employment Agreements</b> All of our NEOs are employed on an at-will basis
<b>Formula-Based Incentive Plans</b> Transparent, formulaic incentive plans designed to promote short- and long-term business success	<b>No Tax Gross-ups</b> No excise tax gross-ups on severance or change in control payments
<b>Enhanced CEO Performance Conditions</b> Chief Executive Officer's stock options are subject to performance conditions based on consolidated EPS and FCF	<b>No Repricing</b> No repricing of stock options or other equity-based awards without shareholder approval
<b>Clawback Provisions</b> Clawback policy that applies to all incentive compensation, including equity-based awards	<b>No Pension Plan/SERP Credit</b> No pension plan/SERP credit for years not worked with L-3 or its predecessor companies
<b>Double Trigger for Severance</b> Double trigger provisions for severance payable in the event of a change in control, and no excessive severance or change in control provisions	<b>No Excessive Perquisites</b> Perquisites are modest and consistent with competitive practices
<b>Annual Risk Assessment</b> Annual compensation risk assessment to ensure program does not encourage excessive risk-taking	<b>No Dividends on Stock Options</b> No payment of dividends on stock options or on other equity-based awards prior to vesting
<b>Tally Sheets</b> Tally sheet analysis to better understand current and accumulated compensation and benefits	<b>No Hedging or Pledging</b> No hedging or pledging of L-3 stock by executives, employees and non-employee directors



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QUESTIONS AND ANSWERS ABOUT THE 2016 ANNUAL MEETING AND VOTING

**QUESTIONS AND ANSWERS**

**ABOUT THE 2016 ANNUAL MEETING AND VOTING**

**1. WHY DID I RECEIVE THESE PROXY MATERIALS?**

On or about March 23, 2016, we either mailed you a notice (the Notice ) notifying you how to vote online and how to electronically access a copy of this Proxy Statement, our Summary Annual Report and our Annual Report on Form 10-K for the year ended December 31, 2015 (together referred to as the Proxy Materials ) or mailed you a complete set of the Proxy Materials. If you have not received but would like to receive printed copies of these documents, including a proxy card in paper format, you should follow the instructions for requesting such materials contained in the Notice.

This Proxy Statement is being made available to the holders of our Common Stock in connection with the solicitation of proxies for use at the Annual Meeting to be held at The Ritz-Carlton New York, Battery Park, located at Two West Street, New York, New York 10004 at 2:30 p.m., Eastern Daylight Time, on Tuesday, May 3, 2016. The proxies are solicited by our Board of Directors on our behalf for use at the Annual Meeting and any adjournments or postponements of the Annual Meeting.

**2. WHAT IS A PROXY?**

Shareholders not attending our Annual Meeting may choose to vote their shares of Common Stock by allowing someone else to cast votes on their behalf. We are soliciting your voting instructions (that is, your proxy) on behalf of our Board of Directors for use at the Annual Meeting and any adjournments or postponements of the Annual Meeting. The proxies we are soliciting designate Michael T. Strianese, Christopher E. Kubasik, Ralph G. D Ambrosio and Steven M. Post (the Proxyholders ) as the persons who would individually be authorized to vote your shares in accordance with your instructions. Alternatively, if you own your shares of our

Common Stock directly in your name in our stock records (a shareholder of record ) maintained by Computershare Trust Company, N.A. ( Computershare ), you may appoint a person (who need not be a shareholder), other than the Proxyholders, to represent you at the Annual Meeting by completing another proper proxy. Such completed proxy should be returned in the envelope provided to you for that purpose (if you have requested or received a paper copy of

the Proxy Materials).

### 3. WHAT IS THE RECORD DATE AND WHAT DOES IT MEAN?

Our Board of Directors has fixed the close of business on March 7, 2016 as the Record Date for the Annual Meeting. Only shareholders of record at the Record Date are entitled to notice of, and to vote at, the Annual Meeting or at any adjournments or postponements thereof, in person or by proxy.

At the Record Date, there were 77,522,193 shares of our Common Stock outstanding and entitled to vote at the Annual Meeting. Each holder of Common Stock is entitled to one vote for each share of our Common Stock held by such holder.

### 4. WHAT ARE THE DIFFERENT METHODS THAT I CAN USE TO VOTE MY SHARES OF COMMON STOCK?

**By Internet:** If you hold your shares of our Common Stock through a bank or brokerage firm (i.e., in street name, as you are not a registered holder), or if you own shares of Common Stock through L-3's 401(k) plan, you can vote at [www.proxyvote.com](http://www.proxyvote.com), 24 hours a day, seven days a week. You will need the 16-digit Control Number included on your Notice or your paper voting instruction form (if you received a paper copy of the Proxy Materials).

If you are a shareholder of record, you can vote at [www.proxyvote.com](http://www.proxyvote.com), 24 hours a day, seven days a week. You will need the 16-digit Control Number included on your Annual Meeting Notice card.

**By Telephone:** If you hold your shares in street name, you can vote using a touch-tone telephone by calling the toll-free number included on your Notice or paper voting instruction form (if you received a paper copy of the Proxy Materials), 24 hours a day, seven days a week. You will need the 16-digit Control Number included on your Notice or paper voting instruction form.

If you are a shareholder of record, or if you own shares of Common Stock through L-3's 401(k) plan, you can vote using a touch-tone telephone by calling 1-800-690-6903,

24 hours a day, seven days a week. You will need the 16-digit Control Number included on your Annual Meeting Notice card or your paper voting instruction form (if you received a paper copy of the Proxy Materials).

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QUESTIONS AND ANSWERS ABOUT THE 2016 ANNUAL MEETING AND VOTING

**By Mail:** If you have received a paper copy of the Proxy Materials by mail, you may complete, sign, date and return by mail the paper proxy card or voting instruction form sent to you in the envelope provided to you with your Proxy Materials or voting instruction form.

**In Person:** All shareholders of record may vote in person at the meeting. Street name holders must obtain a legal proxy from their broker, bank or other nominee and bring the legal proxy to the meeting in order to vote in person at the meeting. For more detail, please see Question 16.

The Internet and telephone voting procedures, which comply with Delaware law and the Securities and Exchange Commission (the SEC) rules, are designed to authenticate shareholders' identities, to allow shareholders to vote their shares and to confirm that their instructions have been properly recorded.

**Through your Bank, Broker or Other Nominee:** If you hold your shares in street name, you may also submit voting instructions to your bank, broker or other nominee. In most instances, you will be able to do this over the Internet, by telephone, or by mail. Please refer to the information from your bank, broker or other nominee on how to submit voting instructions.

See also Proxy Statement Summary Casting Your Vote on page 1.

**5. WHAT IS THE DEADLINE FOR SUBMITTING VOTES?**

If you are a shareholder of record, proxies submitted over the Internet or by telephone as described above must be received by 11:59 p.m., Eastern Daylight Time, on May 2, 2016.

If you own your shares of our Common Stock through L-3's 401(k) plan, proxies submitted over the Internet or by telephone as described above must be received by 11:59 p.m., Eastern Daylight Time, on April 29, 2016.

If you hold your shares in street name, proxies submitted over the Internet or by telephone as described above must be received by 11:59 p.m., Eastern Daylight Time, on May 2, 2016.

Proxies submitted by mail, as described above, must be received no later than 11:59 p.m., Eastern Daylight Time, on May 2, 2016, if you are a shareholder of record, or by 8:00 a.m., Eastern Daylight Time, on April 29, 2016, if you own your shares through L-3's 401(k) plan.



Notwithstanding the above, if you hold your shares in street name and you submit voting instructions to your bank, broker or other nominee, your instructions must be received by the bank, broker or other nominee prior to the deadline set forth in the information from your bank, broker or other nominee on how to submit voting instructions.

## 6. HOW MANY VOTES MUST BE PRESENT TO HOLD THE 2016 ANNUAL MEETING?

In order for us to conduct the meeting, the holders of a majority of the outstanding shares of our Common Stock represented in person or by proxy shall constitute a quorum at the Annual Meeting.

Your shares are counted as present at the meeting if you attend the meeting and vote in person or if you properly return a proxy by Internet, telephone or mail.

Abstentions and instances where brokers are prohibited from exercising discretionary authority for beneficial owners who have not returned a proxy (so-called broker non-votes ) will be counted for purposes of determining a quorum.

## 7. WILL MY SHARES BE VOTED IF I DO NOT PROVIDE MY PROXY?

**Shareholders of Record:** If you are a shareholder of record (see Question 3), your shares will not be voted if you do not provide your proxy unless you vote in person at the meeting. *It is important that you vote your shares.*

**Holders of Common Stock through L-3's 401(k) plan:** If you own shares of our Common Stock through L-3's 401(k) plan and you do not provide voting instructions, the shares in your 401(k) plan account will be voted by the trustee of the 401(k) plan in the same proportion as the shares of Common Stock held by the 401(k) plan for which voting instructions have been received from other participants in the plan, except as otherwise required by law. *It is, therefore, important that you vote your shares.*

**Street Name Holders:** If your shares are held in street name (see Question 4) and you do not provide voting instructions, your shares may be voted by your broker, bank or other nominee but *only* under certain circumstances. Specifically, under New York Stock Exchange ( NYSE ) rules, shares held in the name of your broker, bank or other nominee may be voted by your broker, bank or other nominee on certain routine matters if you do not provide voting instructions. Only the Auditor Ratification Proposal is considered a routine matter for which brokers, banks or other nominees may vote uninstructed shares. The other proposals to be voted on at the meeting (specifically, the election of director nominees, the Say-on-Pay Proposal, the Amended and Restated Plan Proposal, the Merger Proposal and the Written

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QUESTIONS AND ANSWERS ABOUT THE 2016 ANNUAL MEETING AND VOTING

Consent Proposal) are *not* considered routine under NYSE rules, so the broker, bank or other nominee cannot vote your shares on *any* of these proposals unless you provide voting instructions for each of these matters. If you do not provide

voting instructions on a non-routine matter, your shares will not be voted on that matter, which is referred to as a broker non-vote. *It is, therefore, important that you vote your shares.*

**8. WHAT IF I DO NOT SPECIFY A CHOICE FOR A MATTER WHEN RETURNING A PROXY?**

If a shareholder delivers a proxy pursuant to this solicitation but does not specify a choice with respect to any proposal set forth in this Proxy Statement, the underlying shares will be voted on that proposal in accordance with the recommendation of our Board of Directors or, in the case of the Shareholder Written Consent Proposal, in the same

proportion as the shares of Common Stock for which votes have been cast on the proposal. With respect to any other matters that may properly come before the Annual Meeting, or any adjournment or postponement thereof, the underlying shares will be voted in accordance with the discretion of the Proxyholders.

**9. HOW CAN I REVOKE A PROXY OR CHANGE MY VOTE?**

Any proxy delivered pursuant to this solicitation is revocable at the option of the person(s) executing the proxy upon our receipt, prior to the time the proxy is voted, of a duly executed instrument revoking it, or of a duly executed proxy bearing a later date, or by such person(s) voting in person at the Annual Meeting. Unless revoked, all proxies representing shares entitled to vote that are delivered pursuant to this solicitation will be voted at the Annual Meeting and, where a choice has been specified on the proxy card, will be voted in accordance with such specification.

To revoke a proxy previously submitted over the Internet, by telephone or by mail, you may simply vote again at a later date, using the same procedures, in which case your later submitted vote will be recorded and your earlier vote revoked. You may also attend the Annual Meeting and vote in person.

If your shares are held in street name and you previously provided voting instructions to your broker, bank or other nominee, you should follow the instructions provided by your broker, bank or other nominee to revoke or change your voting instructions.

## 10. WHAT ITEMS WILL BE VOTED ON AT THE 2016 ANNUAL MEETING AND WHAT IS THE VOTE REQUIRED?

The vote required to approve all of the proposals listed herein assumes the presence of a quorum.

**Proposal 1 Election of the 10 Directors listed herein:** A majority of the votes cast at the Annual Meeting is required for the election of each nominee for director. Abstentions and broker non-votes will have no effect on the outcome of this proposal.

**The Board recommends a vote FOR each of the nominees named in the Proxy Statement.**

**Proposal 2 Auditor Ratification Proposal:** A majority of the votes cast at the Annual Meeting is required for the Auditor Ratification Proposal. Abstentions will have no effect on the outcome of this proposal. Your broker will have discretion to vote your uninstructed shares on this proposal.

**The Board recommends a vote FOR this proposal.**

**Proposal 3 Say-on-Pay Proposal:** A majority of the votes cast at the Annual Meeting is required to approve the Say-on-Pay Proposal. Abstentions and broker non-votes will have no effect on the outcome of this proposal.

**The Board recommends a vote FOR this proposal.**

**Proposal 4 Amended and Restated Plan Proposal:** A majority of the votes cast at the Annual Meeting is required to approve the Amended and Restated Plan Proposal. Abstentions will be counted as a vote against the Amended and Restated Plan Proposal and broker non-votes will have no effect on the outcome of this proposal.

**The Board recommends a vote FOR this proposal.**

**Proposal 5 Merger Proposal:** A majority of the Company's outstanding shares of Common Stock is required to approve the Merger Proposal. Abstentions and broker non-votes will be counted as a vote against this proposal.

**The Board recommends a vote FOR this proposal.**

**Proposal 6 Shareholder Written Consent Proposal:** The affirmative vote of all of the outstanding Common Stock of the Company is required to approve the Shareholder Written Consent Proposal. Abstentions and broker non-votes will have the same effect as votes against this proposal.

**The Board makes no recommendation regarding this proposal.**

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QUESTIONS AND ANSWERS ABOUT THE 2016 ANNUAL MEETING AND VOTING

**11. WHAT IS THE PURPOSE OF THE AMENDED AND RESTATED PLAN PROPOSAL?**

The principal purpose of the amendment to the L-3 Communications Holdings, Inc. 2008 Long Term Performance Plan is to (i) increase the number of shares authorized for issuance under the plan by 6,800,000 shares, (ii) modify the way that shares issued under full value awards granted under the plan on or after February 23, 2016 are counted for purposes of calculating the number of

authorized shares that have been issued and (iii) allow the Compensation Committee of the Company's Board of Directors to make awards that may satisfy the requirements of Section 162(m) of the Internal Revenue Code of 1986, as amended from time to time (the Internal Revenue Code) with respect to certain performance-based awards that may be granted under the plan.

**12. WHY ARE WE VOTING ON THE MERGER PROPOSAL?**

The Company was organized in 1997 as a holding company for L-3 Communications Corporation (the Subsidiary), and its sole asset is the stock of the Subsidiary. Management of the Company believes that the holding company structure is no longer necessary and that its elimination will result in cost savings and administrative efficiencies. Therefore, management has proposed that the Company be merged with and into the Subsidiary (the Merger) such that, immediately following the effective time of the Merger (the Effective Time), the Company's separate corporate existence will cease and the Subsidiary will continue as the surviving corporation (the Surviving Corporation). The Board of Directors, having reviewed and considered management's proposal, has determined that the proposed Merger is in the best interests of the Company and its shareholders, and has accordingly approved the Merger Agreement and declared it advisable, and recommends that shareholders vote FOR the proposal to adopt the Merger Agreement.

**13. HOW WILL THE MERGER IMPACT OUR SHAREHOLDERS?**

Shareholders' legal rights and economic interest in L-3's consolidated assets, will remain unchanged by the Merger. As a result of the Merger:

- i The outstanding shares of common stock of the Surviving Corporation will be owned directly by the Company's shareholders in the same proportion as their ownership of shares of the Company's Common Stock immediately prior to the Merger;
- i The Certificate of Incorporation of the Subsidiary will be amended and restated in its entirety to be substantially in the form of the Amended and Restated Certificate of Incorporation of the Company as in effect immediately prior to the Effective Time, except that the provisions related to the classification of the Company's Board of Directors, which has been phased out, will be eliminated;
- i The bylaws of the Subsidiary will be amended and restated in their entirety to be substantially in the form of the Bylaws of the Company as in effect immediately prior to the Effective Time;
- i The Surviving Corporation will have the same authorized capital stock, with the same rights, powers and privileges as the capital stock of the Company immediately prior to the Effective Time;
- i The Surviving Corporation will have the same consolidated assets, liabilities and shareholders' equity as the Company immediately prior to the Effective Time;
- i The directors of the Company as of immediately prior to the Effective Time will become the directors of the Surviving Corporation and the officers of the Company as of immediately prior to the Effective Time will become the officers of the Surviving Corporation, with each officer having the same title, powers and duties that he or she possessed as of immediately prior to the Effective Time; and
- i The Surviving Corporation will be a publicly traded company with reporting obligations under the Securities Exchange Act of 1934 (the Exchange Act). The Surviving Corporation's common stock will be listed on the NYSE under the same ticker symbol used by the Company today, LLL.

#### **14. WHAT DOES IT MEAN IF I RECEIVE MULTIPLE COPIES OF THE NOTICE OR PROXY MATERIALS?**

Please note that you may receive multiple copies of the Notice or Proxy Materials (electronically and/or by mail). These materials may not be duplicates as you may receive separate copies of the Notice or Proxy Materials for each type of account in which you hold shares of our Common

Stock. Please be sure to vote all of your shares in each of your accounts in accordance with the directions on the proxy card(s) and/or voting instruction form(s) that you receive. In the case of duplicate votes for shares in a particular account, your last vote is the one that counts.



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QUESTIONS AND ANSWERS ABOUT THE 2016 ANNUAL MEETING AND VOTING

**15. WHO WILL PAY THE COST OF THIS PROXY SOLICITATION?**

The cost of this solicitation of proxies will be paid by the Company. The solicitation will be made primarily via the Internet and by mail, but our officers and regular employees may also solicit proxies by telephone, telegraph, facsimile,

or in person. We also have retained Georgeson Inc. to assist in soliciting proxies. We expect to pay Georgeson Inc. approximately \$10,000 plus expenses in connection with its solicitation of proxies.

**16. HOW DO I OBTAIN ADMISSION TO THE 2016 ANNUAL MEETING?**

If you wish to attend the Annual Meeting and vote in person, you must be a shareholder on the Record Date and you must register and request an admission ticket in advance.

Tickets will be issued to registered and beneficial owners. If you hold your shares of our Common Stock through a bank or brokerage firm (i.e., you are not a registered holder), you may register and request an admission ticket by visiting [www.proxyvote.com](http://www.proxyvote.com) and following the instructions provided (you will need the 16-digit Control Number included on your Notice or your paper voting instruction form (if you received a paper copy of the Proxy Materials)). If you own your shares of our Common Stock directly in your name in our stock records maintained by Computershare, you may register and request an admission ticket by visiting [www.proxyvote.com](http://www.proxyvote.com) and following the instructions provided (you will need the 16-digit Control Number included on your Annual Meeting Notice card).

Requests for admission tickets will be processed in the order in which they are received and must be requested no later than May 2, 2016. Please note that seating is limited and

admission to the meeting will be on a first-come, first-served basis. On the day of the meeting, each shareholder will be required to present valid picture identification such as a driver's license or passport with their admission ticket. Seating will begin at 2:00 p.m. and the meeting will begin at 2:30 p.m. Cameras (including cell phones with photographic capabilities), recording devices and other electronic devices will not be permitted at the Annual Meeting. You will be required to enter through a security check point before being granted access to the Annual Meeting.

Even if you plan to attend the Annual Meeting, we encourage you to vote in advance by Internet, telephone or (if you received a paper copy of the Proxy Materials) by mail so that your vote will be counted even if you later decide not to



attend the Annual Meeting. Voting your proxy by the Internet, telephone or mail will not limit your right to vote at the Annual Meeting if you later decide to attend in person. If you own your shares of our Common Stock in street name and wish to vote in person at the Annual Meeting, you must request a legal proxy from your bank or broker or obtain a proxy from the record holder.

10 L-3 COMMUNICATIONS HOLDINGS, INC. *Proxy Statement*

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PROPOSALS REQUIRING YOUR VOTE

**PROPOSALS REQUIRING YOUR VOTE**

**PROPOSAL 1 ELECTION OF DIRECTORS**

The full Board of Directors has considered and nominated the following slate of nominees for a one-year term expiring in 2017: Claude R. Canizares, Thomas A. Corcoran, Ann E. Dunwoody, Lewis Kramer, Robert B. Millard, Lloyd W. Newton, Vincent Pagano, Jr., H. Hugh Shelton, Arthur L. Simon and Michael T. Strianese. Action will be taken at the Annual Meeting for the election of these 10 nominees.

It is intended that the proxies delivered pursuant to this solicitation will be voted in favor of the election of each of Claude R. Canizares, Thomas A. Corcoran, Ann E. Dunwoody, Lewis Kramer, Robert B. Millard, Lloyd W. Newton, Vincent Pagano, Jr., H. Hugh Shelton, Arthur L. Simon and Michael T. Strianese except in cases of proxies bearing contrary instructions. In the event that these nominees should become unavailable for election due to any presently unforeseen reason, the persons named in the proxy will have the right to use their discretion to vote for a substitute.

**Nominees for Election to the Board of Directors in 2016**

The following information describes the offices held and other business directorships of each nominee. Beneficial ownership of equity securities of the nominees is described in Security Ownership of Management on page 46.

The particular experiences, qualifications, attributes or skills of each nominee that the Nominating/Corporate Governance Committee believes will advance the Company's goals are included in the individual biographies below. The Nominating/Corporate Governance Committee and the Board believe that each of the nominees for election at the 2016 Annual Meeting possesses a strong and unique set of attributes. The Nominating/Corporate Governance Committee and the Board believe that, as a group, these nominees provide the Board with an optimal balance of experience, leadership, competencies, qualifications and skills.

**Director Since:** 2003

**Board Committees:**

Audit

**CLAUDE R. CANIZARES**

**Position, Principal Occupation and Professional Experience:**

*Vice President, and Bruno Rossi Professor of Physics, Massachusetts Institute of Technology.* Since 1971, Professor Canizares has been at MIT. He currently serves as Vice President and is the Bruno Rossi Professor of Physics. In addition, he is a principal investigator on NASA's Chandra X-ray observatory and Associate Director of its science center.

Age: 70

**Other Directorships, Trusteeships and Memberships:** Member of the National Academy of Sciences and the International Academy of Astronautics; Fellow of the American Academy of Arts and Sciences, the American Physical Society and the American Association for the Advancement of Science. Professor Canizares serves on the Department of Commerce's Emerging Technology and Research Advisory Committee and the National Research Council's (NRC) Committee on Science, Technology and the Law. He also serves on the Auditing Committee of the National Academy of Sciences. Professor Canizares has served on the Air Force Scientific Advisory Board, the NASA Advisory Council, and the Council of the National Academy of Sciences.

**Director Qualifications:**

The Board of Directors considered Professor Canizares' distinguished career as a tenured professor at MIT including his current responsibility for over 20 research laboratories with an aggregate annual research budget of \$1.5 billion, as well as his extensive knowledge of the aerospace industry.

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PROPOSALS REQUIRING YOUR VOTE

**Director Since:** 1997

**Board Committees:**

Audit

**Age:** 71

**THOMAS A. CORCORAN**

**Position, Principal Occupation and Professional Experience:**

*Senior Advisor, The Carlyle Group and President, Corcoran Enterprises, LLC.* Mr. Corcoran has been a Senior Advisor of The Carlyle Group, a private equity investment firm, and the President of Corcoran Enterprises, LLC, a private management consulting firm, since 2001. From March 2001 to April 2004, Mr. Corcoran was the President and Chief Executive Officer of Gemini Air Cargo. Mr. Corcoran was the President and Chief Executive Officer of Allegheny Teledyne Incorporated from October 1999 to December 2000. From April 1993 to September 1999, he was the President and Chief Operating Officer of the Electronic Systems Sector and Space & Strategic Missiles Sector of Lockheed Martin Corporation. Prior to that he worked for General Electric for 26 years and held various management positions with GE Aerospace.

**Other Current Public Directorships:** Aerojet Rocketdyne Holdings, Inc. (Director, Member of the Organization & Compensation and Corporate Governance & Nominating Committees)

**Prior Public Company Directorships (within the last five years):** ARINC (until December 2013), La Barge Inc. (until June 2011), Serco Ltd (until January 2011), and Force Protection, Inc. (until December 2011)

**Director Qualifications:**

The Board of Directors considered Mr. Corcoran's business operations background, including his service as the chief executive officer of a number of businesses, and his expertise in the aerospace and defense industries.

**ANN E. DUNWOODY**

**Director Since:** 2013

**Board Committees:**

Nominating/Corporate  
Governance

**Age:** 63

**Position, Principal Occupation and Professional Experience:**

*General (U.S. Army Ret).* General Dunwoody was the first woman in U.S. military history to achieve the rank of four-star general. From 2008 until her retirement in 2012, she led and ran the largest global logistics command in the Army comprising 69,000 military and civilian individuals, located in all 50 states and over 140 countries with a budget of \$60 billion dollars. General (Ret.) Dunwoody also served as a strategic planner for the Chief of Staff of the Army. During her 38-year military career, she was decorated for distinguished service and has received many major military and honorary awards.

**Other Current Public Directorships:** Republic Services, Inc. (Director and Member of the Audit Committee)

**Other Directorships, Trusteeships and Memberships:** Council of Trustees, The Association of the United States Army

**Director Qualifications:**

The Board of Directors considered General (Ret.) Dunwoody's distinguished career in the United States Army and her extensive knowledge of the defense industry.

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PROPOSALS REQUIRING YOUR VOTE

**Director Since:** 2009

**Board Committees:**

- Audit (Chair)
- Compensation
- Executive

**Age:** 68

**LEWIS KRAMER**

**Position, Principal Occupation and Professional Experience:**

*Retired Partner, Ernst & Young LLP.* Mr. Kramer was a partner at Ernst & Young from 1981 until he retired in June 2009 after a nearly 40-year career at Ernst & Young. At the time of his retirement, Mr. Kramer served as the Global Client Service Partner for worldwide external audit and all other services for major clients, and served on the firm's United States Executive Board. He previously served as Ernst & Young's National Director of Audit Services.

**Director Qualifications:**

The Board of Directors considered Mr. Kramer's significant experience, expertise and background with regard to accounting and internal control matters as well as the breadth of his business knowledge gained while serving as an independent auditor for numerous organizations across many industries.

**Director Since:** 1997

- Lead Independent Director

**ROBERT B. MILLARD**

**Position, Principal Occupation and Professional Experience:**

*Chairman, Massachusetts Institute of Technology Corporation.* Mr. Millard has been the Chairman of the Massachusetts Institute of Technology Corporation since 2014. Prior to becoming Chairman of MIT, Mr. Millard held various positions in business, including Managing Director at Lehman Brothers and its predecessors from 1976 to 2008 and Chairman of Realm Partners L.L.C.

**Board Committees:**

Compensation (Chair)

Executive (Chair)

Age: 65

**Other Current Public Directorships:** Evercore Partners Inc.

**Prior Public Company Directorships (within the last five years):** Gulfmark Offshore, Inc. (until June 2013)

**Other Directorships, Trusteeships and Memberships:** Member, Council on Foreign Relations

**Director Qualifications:**

The Board of Directors considered Mr. Millard's extensive financial background.

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PROPOSALS REQUIRING YOUR VOTE

**Director Since:** 2012

**Board Committees:**

Compensation

**Age:** 73

**LLOYD W. NEWTON**

**Position, Principal Occupation and Professional Experience:**

*General (U.S. Air Force Ret).* General Newton was a four-star General and Commander of the Air Force, Air Education and Training Command, where he was responsible for the recruiting, training and education of all Air Force personnel from 1997 until his retirement in 2000. Following his retirement from the Air Force, General (Ret.) Newton was Executive Vice President of Pratt & Whitney Military Engines until 2006. During his 34 year military career, General (Ret.) Newton also served as an Air Force congressional liaison officer with the U.S. House of Representatives and was a member of the Air Force's Air Demonstration Squadron, the Thunderbirds.

**Other Current Public Directorships:** Torchmark Corporation (Lead Director, Member of the Compensation Committee)

**Prior Public Company Directorships (within the last five years):** Sunoco Products Co. (until December 2014) and Goodrich Corporation (until August 2012)

**Director Qualifications:**

The Board of Directors considered General (Ret.) Newton's distinguished career in the Air Force, his experience as an Executive Vice President of Pratt & Whitney Military Engines and his knowledge as a director of public companies.

**VINCENT PAGANO, JR.**

**Position, Principal Occupation and Professional Experience:**



**Director Since:** 2013

*Retired Partner, Simpson Thacher & Bartlett LLP.* Mr. Pagano was a partner at Simpson Thacher & Bartlett LLP until his retirement at the end of 2012. He was the head of the firm's capital markets practice from 1999 to 2012 and, before that, administrative partner of the firm from 1996 to 1999. He was a member of the firm's executive committee during substantially all of the 1996-2012 period.

**Board Committees:**

Audit

**Other Current Public Directorships:** Cheniere Energy Partners GP, LLC, the general partner of Cheniere Energy Partners, L.P. (Director and Member of the Audit and Conflicts Committees) and Hovnanian Enterprises, Inc. (Director and Member of the Audit and Corporate Governance and Nominating Committees)

Nominating/Corporate Governance (Chair)

Executive

**Other Directorships, Trusteeships and Memberships:** Engineering Advisory Council of Lehigh University

**Age:** 65

**Director Qualifications:**

The Board of Directors considered Mr. Pagano's significant experience, expertise and background with regard to legal, capital markets and corporate governance matters, including his broad perspective brought by his experience advising clients in many diverse industries.

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PROPOSALS REQUIRING YOUR VOTE

**Director Since:** 2011

**Board Committees:**

Nominating/Corporate  
Governance

**Age:** 74

**H. HUGH SHELTON**

**Position, Principal Occupation and Professional Experience:**

*General (U.S. Army-Ret).* General Shelton was the senior officer of the United States military and principal military advisor to the President of the United States, the Secretary of Defense and the National Security Council when he served as the fourteenth Chairman of the Joint Chiefs of Staff from 1997 until his retirement in 2001. He had previously served as Commander-in-Chief of U.S. Special Operations Command (SOCOM). From January 2002 until April 2006, General (Ret.) Shelton served as the President, International Sales of M.I.C. Industries, an international manufacturing company. General (Ret.) Shelton was knighted by Queen Elizabeth II in 2001 and awarded the Congressional Gold Medal in 2002.

**Other Current Public Directorships:** Red Hat, Inc. (Chairman and Member of the Compensation Committee)

**Other Directorships, Trusteeships and Memberships:** Executive Director of the General H. Hugh Shelton Leadership Center at North Carolina State University, National Association of Corporate Directors (NACD) Fellow

**Director Qualifications:**

The Board of Directors considered General (Ret.) Shelton's distinguished career as the Chairman of the Joint Chiefs of Staff, Department of Defense and as the Commander in Chief of U.S. Special Operations Command (SOCOM) and his extensive knowledge of the defense industry.

**ARTHUR L. SIMON**

**Director Since:** 2001

**Board Committees:**

Audit

Nominating/Corporate  
Governance

**Age:** 84

**Position, Principal Occupation and Professional Experience:**

*Retired Partner, Coopers & Lybrand LLP.* Before his retirement, Mr. Simon was a partner at Coopers & Lybrand LLP, Certified Public Accountants, from 1968 to 1994 and was the co-founder of the firm's Defense Contracting Industry Group.

**Other Current Public Directorships:** Loral Space & Communications Inc. (Chairman and Member of the Audit Committee)

**Director Qualifications:**

The Board of Directors considered Mr. Simon's significant experience, expertise and background with regard to accounting and internal control matters and the breadth of his business knowledge gained while serving as an independent auditor for numerous organizations across many industries and as the Chair of the Audit Committee of Loral Space & Communications Inc.

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PROPOSALS REQUIRING YOUR VOTE

**Director Since:** 2006

Chairman

CEO

**Board Committees:**

Executive

**Age:** 60

**MICHAEL T. STRIANESE**

**Position, Principal Occupation and Professional Experience:**

*Chairman and Chief Executive Officer, L-3.* Mr. Strianese became Chairman on October 7, 2008 and has served as Chief Executive Officer since October 2006. He also served as President from October 2006 until October 2015. Until February 2007, Mr. Strianese was also our Corporate Ethics Officer. He was our interim Chief Executive Officer and Chief Financial Officer from June 2006. Mr. Strianese became Chief Financial Officer in March 2005. From March 2001 to March 2005 he was our Senior Vice President Finance. He joined us in April 1997 as Vice President Finance and Controller and was our Controller until July 2000.

**Director Qualifications:**

The Board of Directors considered Mr. Strianese's position as Chief Executive Officer and his expertise and experience in the aerospace and defense industries.

**The Board of Directors recommends a vote FOR each of the proposed nominees listed above for election to the Board of Directors.**

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PROPOSALS REQUIRING YOUR VOTE

**PROPOSAL 2 SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the independent registered public accounting firm retained to audit the Company's financial statements. Following its annual evaluation of its independent registered public accounting firm, the Audit Committee considered whether there should be a rotation of such a firm and decided to select PricewaterhouseCoopers LLP ( PwC ) to serve as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2016. PwC has continuously been retained as our independent registered public accounting firm since our formation in 1997, and the Audit Committee and the Board of Directors believe that the continued retention of PwC to serve as the Company's independent registered public accounting firm is in the best interests of the Company and its shareholders. In conjunction with the mandated rotation of the independent registered public accounting firm's lead engagement partner, the Audit Committee and its chairperson have been directly involved in the selection of PwC's lead engagement partner. Representatives of PwC will be present at the Annual Meeting. These representatives will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Although ratification is not required by our Bylaws or otherwise, the Board of Directors is submitting the selection of PwC to our shareholders for ratification because the Audit Committee and the Board value our shareholders' views on the Company's independent registered public accounting firm. If the foregoing proposal is not approved by the holders of a majority of the votes cast, it will be considered as notice to the Board of Directors and the Audit Committee to consider the selection of a different firm. Even if the selection is ratified, the Audit Committee in its discretion may select a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and our shareholders.

**The Board of Directors recommends a vote FOR ratification of the appointment of  
PricewaterhouseCoopers LLP as our Independent Registered Public Accounting Firm.**

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PROPOSALS REQUIRING YOUR VOTE

**PROPOSAL 3 ADVISORY (NON-BINDING) VOTE ON EXECUTIVE COMPENSATION**

We are asking our shareholders to approve, in a non-binding, advisory vote, the compensation paid to our named executive officers as disclosed beginning on page 68 of this Proxy Statement. In connection with this vote, shareholders may also wish to consider the discussion appearing under "The Board of Directors and Certain Governance Matters Committees of the Board of Directors" beginning on page 37. While the results of this vote are advisory, our Compensation Committee intends to consider the results of this vote when making future compensation decisions. The following is a summary of key points that shareholders may wish to consider in connection with their voting decision.

**Our compensation program emphasizes our pay-for-performance philosophy and reflects our commitment to compensation best practices.** Our compensation program highlights include:

- **Formula-Based Bonus Plan.** We apply a formula-based approach for determining annual incentive awards that uses pre-established goals to assess financial and individual performance achievements.
- **Emphasis on performance-based variable pay.** In 2015, 68% of our Chief Executive Officer's target pay was in the form of performance-based annual and long-term incentives, including:
  - 29% of target pay in the form of performance awards that will be forfeited unless our company's performance during fiscal 2015-2017 meets pre-established goals for cumulative diluted earnings per share and relative total shareholder return.
  - 22% of target pay in the form of stock options that have value only based on, and to the extent of, future increases in our stock price. In addition, these options are forfeited if vesting conditions based on 2015 financial performance are not satisfied.
  - 17% of target pay under our formula-based bonus plan described above.

**Our executives are subject to meaningful stock ownership and retention guidelines that align their interests with those of our shareholders.** Under our policies:

- Our Chief Executive Officer is required to hold L-3 stock worth at least 6 times his base salary, while our other executives have ownership requirements ranging from 1.5 to 3 times base salary.

- ¡ Executives must retain 75% of their net after-tax shares earned from equity awards until their ownership requirement is met.
- ¡ Stock options, including vested stock options, do not count towards satisfying the ownership requirement.
- ¡ Executives are prohibited from reducing their economic exposure to L-3 stock through hedging or pledging transactions, regardless of whether they own more than their ownership requirement.

**Our compensation program reflects sound pay practices.** In addition to the practices described above, our compensation program reflects the following:

- ¡ Our perquisites are modest.
- ¡ We do not provide any tax reimbursements or gross-ups on severance or change in control payments.
- ¡ Our equity plans prohibit repricings of stock options or other equity-based awards without shareholder approval.
- ¡ We do not pay dividends on stock options or on other equity-based awards prior to vesting.
- ¡ Our retirement plans only provide age or service credit for years worked with L-3 and its predecessor companies.

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We believe that the information disclosed in this Proxy Statement demonstrates that our executive compensation program is well-designed and is working as intended. In accordance with the requirements of Section 14A of the Exchange Act and the related rules of the SEC, we are submitting for shareholder consideration the following resolution to approve, in a non-binding, advisory vote, the compensation paid to our named executive officers for fiscal 2015 as disclosed beginning on page 68 of this Proxy Statement:

RESOLVED, that the compensation paid to the company's named executive officers, as disclosed in this Proxy Statement pursuant to the rules of the SEC, including the Compensation Discussion and Analysis, compensation tables and any related narrative discussion, is hereby APPROVED.

**The Board of Directors recommends a vote FOR approval of  
the compensation paid to our named executive officers.**

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**PROPOSAL 4 APPROVAL OF THE AMENDMENT TO THE L-3 COMMUNICATIONS HOLDINGS, INC. AMENDED AND RESTATED 2008 LONG TERM PERFORMANCE PLAN**

The L-3 Communications Holdings, Inc. 2008 Long Term Performance Plan was originally adopted effective April 29, 2008 and has been amended from time to time prior to March 2016 (as amended, the 2008 Plan ). In March 2016, the Board of Directors authorized and approved an additional amendment to the 2008 Plan (as amended, the Amended and Restated Plan ), which approval is subject to shareholders approving this Proposal 4. The principal purpose of the amendment is to (i) increase the number of shares authorized for issuance under the 2008 Plan by 6,800,000 shares and (ii) modify the way that shares issued under full value awards granted under the 2008 Plan are counted for purposes of calculating the number of authorized shares that have been issued, as further described below. In addition, the amendment to the 2008 Plan is intended to allow the Committee to make awards that may satisfy the requirements of Section 162(m) of the Internal Revenue Code ( Section 162(m) ) with respect to certain performance-based awards that may be granted under the 2008 Plan. The Company is not seeking to make any other material changes to the terms of the 2008 Plan at this time. If the Amended and Restated Plan is approved by shareholders at the 2016 Annual Meeting, it will become immediately effective as of the date of the 2016 Annual Meeting. If shareholders do not approve the Amended and Restated Plan, the 2008 Plan will continue in effect until April 2023.

Besides the 2008 Plan, the only equity compensation plan maintained by the Company under which future awards are authorized for issuance is the L-3 Communications Corporation 2009 Employee Stock Purchase Plan (the 2009 ESPP ). For additional information concerning the terms under which shares can be purchased under the 2009 ESPP and the number of shares available for future issuance under the 2009 ESPP, see Note 17 to the audited consolidated financial statements included in L-3 s 2015 Annual Report on Form 10-K.

The purpose of the Amended and Restated Plan is to benefit the Company s shareholders by encouraging high levels of performance by individuals who contribute to the success of the Company and its subsidiaries and to enable the Company and its subsidiaries to attract, motivate, retain and reward talented and experienced individuals. This purpose is to be accomplished by providing eligible individuals with an opportunity to obtain or increase a proprietary interest in the Company and/or by providing eligible individuals with additional incentives to join or remain with the Company and its subsidiaries. A copy of the Amended and Restated Plan, which is marked to show the changes made to the 2008 Plan, is attached hereto as Annex A.

As of February 22, 2016, a total of 19,213,817 shares were authorized for issuance under the 2008 Plan, of which 2,250,555 shares remained available for issuance under future awards. If shareholders approve the Amended and Restated Plan, the total number of shares authorized for issuance under the 2008 Plan would be increased by 6,800,000 shares. As a result, 26,013,817 shares would be authorized for issuance under the Amended and Restated Plan, of which 9,050,555 shares would be available for issuance under future awards. This amount excludes any shares that would become available again under the Amended and Restated Plan in connection with expired, cancelled, terminated or forfeited awards on or after February 23, 2016. We expect that if the Amended and Restated Plan is approved by our shareholders, the additional shares would be sufficient to allow us to make equity awards in the amounts we believe are necessary to attract, motivate, retain and reward talented and experienced individuals for the next two to three years. Unless terminated earlier or otherwise amended by the Company s Board of Directors, the Amended and Restated Plan would terminate on March 1, 2026.

Under the 2008 Plan, shares issued under full value awards (i.e., all awards other than stock options or stock appreciation rights ( SARs )) granted on or after February 26, 2013 count as 3.69 shares for purposes of calculating the number of shares that remain available for future awards under the plan. As of February 22, 2016, a maximum of 609,906 shares were available for issuance under full value awards to be granted in the future. If shareholders approve the Amended and Restated Plan, shares issued under full value awards granted on or after February 23, 2016 would count as 4.26 shares against the remaining share reserve. Accordingly, if shareholders approve the Amended and Restated Plan, of the 9,050,555 shares that would be available for issuance under future awards, a maximum of 2,124,543 shares would be available for issuance under full value awards. This amount excludes the effect of any shares that would become available again under the Amended and Restated Plan in connection with expired, cancelled, terminated or forfeited awards on or after February 23, 2016.

On February 16, 2016, we granted equity awards under which a total of 1,096,337 shares may be issued under the 2008 Plan to employees, including 487,477 shares that may be issued under full value awards (of which 383,693 shares are issuable in respect of restricted stock units, and 103,784 shares are issuable in respect of performance units based on the assumption that

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the maximum levels of performance applicable to the performance units will be achieved). We have not granted, nor do we currently expect to grant, any other equity awards to employees in 2016 (excluding shares purchased or available for purchase under the 2009 ESPP). Based on our current projections, without shareholder approval of the Amended and Restated Plan, we will likely not be able to grant the full number of equity awards in 2017 that we believe is necessary to continue to attract, motivate, retain and reward talented and experienced employees.

We have not granted, nor do we currently expect to grant, equity awards to any other persons in 2016, except to our non-employee directors as compensation for their board service or as dividend equivalents on their outstanding awards. We granted 549 restricted stock units to non-employee directors on February 9, 2016, and currently expect to grant approximately 14,000 restricted stock units to non-employee directors for the remainder of 2016 assuming the per share closing price of L-3's Common Stock is \$117.50 on the applicable grant dates, including 440 restricted stock units expected to be granted prior to the date of the 2016 Annual Meeting.

As of February 22, 2016, a total of 4,864,645 shares were issuable in respect of outstanding awards under all equity compensation plans maintained by the Company, including the 2008 LTTP and other equity compensation plans under which no new awards are authorized for issuance (the Prior Plans). Of these shares, a total of 3,490,359 shares were issuable in respect of stock options with a weighted average exercise price of \$96.71 and a weighted average remaining contractual term of 6.17 years. The remaining 1,374,286 shares were issuable in respect of full value awards (including 1,099,714 shares in respect of restricted stock units, and 274,572 shares in respect of performance units based on the assumption that the maximum levels of performance applicable to the performance units will be achieved).

The total number of shares issuable under awards we have granted under the 2008 Plan and the Prior Plans as a percentage of our annual weighted average common shares outstanding (commonly referred to as the burn rate) has been on average 1.33% over the last three completed fiscal years and 1.42% over the last five completed fiscal years. This calculation is based on the amounts of shares issuable under awards as of the dates they were granted, and not as adjusted, in the case of awards outstanding as of July 17, 2012, to reflect the effect of the Company's spin-off of Engility Holdings, Inc. as described in Note 1 to the Stock-Based Awards Previously Granted Under the 2008 Long Term Performance Plan table beginning on page 27.

Over the last five completed fiscal years, we have repurchased substantially more shares than we have issued, with the net impact being an average annual reduction of 5.71% and 6.71% in our weighted average common shares outstanding over the last three and five completed fiscal years, respectively.

The Amended and Restated Plan is hereby proposed for approval by the shareholders. The affirmative vote of a majority of the votes cast at the Annual Meeting is required to approve the Amended and Restated Plan. Abstentions will be counted as a vote against this proposal and broker non-votes will have no effect on the outcome of this proposal.

**Description of the Amended and Restated Plan*****Eligibility***

Awards under the Amended and Restated Plan may be granted to any employee, including any officer, of the Company or any of its subsidiaries, or to any non-employee director or other individual who provides services to or on behalf of the Company or any of its subsidiaries, subject to the discretion of the Committee to determine the particular employees, non-employee directors and other individuals who, from time to time, will be selected to receive awards. As of December 31, 2015, we employed approximately 38,000 full-time and part-time employees, and nine non-employee directors served on our Board of Directors.

***Types of Awards***

Awards under the Amended and Restated Plan may be in the form of non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock and other share-based awards, such as performance-based awards. Awards may be granted singly or in combination with other awards, consistent with the terms of the Amended and Restated Plan. Each award will be evidenced by an award agreement entered into between the Company and the recipient setting forth the specific terms

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and conditions applicable to that award. Awards under the Amended and Restated Plan generally will be non-transferable by a holder (other than by will or the laws of descent and distribution) and rights thereunder generally will be exercisable during the holder's lifetime only by the holder. The maximum term of any unvested or unexercised non-qualified stock options, incentive stock options or SARs under the Amended and Restated Plan is ten years from the initial grant date.

Stock options authorized under the Amended and Restated Plan are rights to purchase a specified number of shares of the Common Stock at an exercise price of not less than the fair market value of the Common Stock on the grant date during the period set forth in the individual participant's award agreement. The fair market value of the underlying shares of Common Stock as of March 7, 2016 was \$118.01 per share. Dividends and dividend equivalents may not be paid on unissued shares underlying option awards. Stock options that are granted as incentive stock options will be granted with such additional terms as are necessary to satisfy the applicable requirements of Section 422 of the Internal Revenue Code. The fair market value of the Common Stock for which incentive stock options are exercisable for the first time by an optionee during any calendar year cannot exceed \$100,000 (measured as of the grant date) under current tax laws. Other awards are not limited in this manner.

SARs may be granted on a freestanding basis, in relation to a stock option or in tandem with a stock option, such that the exercise of either the option or the SAR cancels the recipient's rights under the tandem award with respect to the number of shares so exercised. SARs entitle the recipient to receive, upon exercise of the SAR, an amount (payable in cash and/or Common Stock or other property) equal to the amount of the excess, if any, of the fair market value of a share of the Common Stock on the date the SAR is exercised (or some lesser ceiling amount) over the base price of the SAR (or the exercise price of an option, if the SAR is granted in tandem with an option), which cannot be less than the fair market value of a share of the Common Stock on the date the SAR was awarded (or the exercise price of a related stock option). Dividends and dividend equivalents may not be paid on unissued shares underlying SARs.

Restricted stock is Common Stock issued to the recipient, typically for minimal lawful consideration and subject to certain risks of forfeiture and restrictions and limitations on transfer, the vesting of which may depend on individual or corporate performance, continued service or other criteria.

Other incentive awards might include minimum ownership stock, phantom stock or units, performance stock or units, bonus stock or units, dividend equivalent units, similar securities or rights and other awards payable in or with a value derived from or a price related to the fair market value of the Common Stock, payable in Common Stock and/or cash, all on such terms as the Committee may approve. Such awards may be granted, become vested or be payable based upon the continued employment of a participant, or upon the attainment of specified corporate or individual performance goals (as in the case of performance stock or units).

Under Section 162(m) of the Internal Revenue Code, the Company may not deduct certain compensation over \$1,000,000 in any year to the Chief Executive Officer or any of the three other most highly compensated executive officers of the Company, other than the Chief Financial Officer, unless, among other things, this compensation qualifies as performance-based compensation under Section 162(m), and the material terms of the plan for such compensation are approved by shareholders. With reference to awards intended to qualify as performance-based compensation under Section 162(m), the material terms of the Amended and Restated Plan include the eligible class

of participants, the performance goal or goals and the maximum annual amount payable thereunder to any individual participant. The Committee may also approve compensation that does not qualify for a deduction under Section 162(m) if it determines that it is appropriate to do so in light of other competing interests and goals, such as the attraction and retention of key executives.

The eligible class of persons for performance-based awards under the Amended and Restated Plan is all employees of the Company and its subsidiaries. Awards that are intended to qualify as performance-based awards under the Amended and Restated Plan (other than stock options and SARs) may be granted only in accordance with the performance-based requirements of Section 162(m), as set forth below.

The performance goals for performance-based awards under the Amended and Restated Plan are any one or a combination of the following: (i) consolidated income before or after taxes (including income before interest, taxes, depreciation and amortization); (ii) EBIT or EBITDA; (iii) operating income or operating margin; (iv) book value per share of Common Stock; (v) expense management (including without limitation, total general and administrative expense percentages); (vi) improvements in capital structure; (vii) profitability of an identifiable business unit or product; (viii) maintenance or

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improvement of profit margins; (ix) stock price; (x) market share; (xi) revenue or sales (including, without limitation, net loans charged off and average finance receivables); (xii) costs (including, without limitation, total general and administrative expense percentage); (xiii) orders; (xiv) working capital; (xv) total debt (including, without limitation, total debt as a multiple of EBIT or EBITDA); (xvi) cash flow or net funds provided; (xvii) net income or earnings per share; (xviii) return on equity; (xix) return on investment or invested capital; and (xx) total shareholder return or any other performance goal that the Committee in its sole discretion establishes in accordance with the requirements of Section 162(m). Specific performance periods (which may overlap with performance periods under outstanding performance-based awards), weightings of more than one performance goal and target levels of performance upon which actual payments will be based, as well as the award levels payable upon achievement of specified levels of performance, will be determined by the Committee not later than the applicable deadline under Section 162(m) and in any event at a time when achievement of such targets is substantially uncertain. These variables may change from award to award. To the extent set forth in an individual participant's award agreement, appropriate adjustments to the performance goals and targets in respect of performance-based awards may be made by the Committee based upon objective criteria in the case of (i) a change in corporate capitalization, a corporate transaction or a complete or partial corporate liquidation, (ii) any extraordinary gain or loss under generally accepted accounting principles or (iii) any material change in accounting policies or practices affecting the Company and/or the performance goals or targets.

The Committee must certify the achievement of the applicable performance goals and the actual amount payable to each participant under the performance-based awards prior to payment. The Committee may retain discretion to reduce, but not increase, the amount payable under a performance-based award to any participant, notwithstanding the achievement of targeted performance goals. Awards may be accelerated in the event of the employee's death or permanent disability, or in the event of a Change in Control of the Company as described below.

The Committee also has the authority to grant awards under the Amended and Restated Plan in substitution for or as the result of the assumption of stock incentive awards held by employees of other entities who become employees of the Company or a subsidiary as a result of a merger or acquisition of the entity.

Awards may be granted in connection with the surrender or cancellation of previously granted awards, or may be amended, under such terms and conditions, including numbers of shares and exercise price, exercisability or termination, that are the same as or different from the existing awards, all as the Committee may approve, except that no such grant or amendment may effect a repricing of the original award.

***Administration; Change in Control***

The Amended and Restated Plan provides that it shall be administered by the Committee (or subcommittee thereof), another committee of the Board of Directors or the full Board of Directors. With respect to awards granted to persons who are subject to the reporting requirements of Section 16(a) of the Exchange Act and/or who are covered employees under Section 162(m), as applicable, the Amended and Restated Plan provides that the Committee shall be constituted so as to permit awards under the Amended and Restated Plan to comply with the non-employee director provisions of Rule 16b-3 under the Exchange Act and/or the outside director requirements of Section 162(m), respectively. The Committee has the authority within the terms and limitations of the Amended and Restated Plan to designate recipients of awards, determine or modify (so long as it does not effect a repricing of the original award) the form,

amount, terms, conditions, restrictions, and limitations of awards, including vesting provisions (subject to applicable limitations described below with respect to restricted stock), terms of exercise of an award, expiration dates and the treatment of an award in the event of the retirement, disability, death or other termination of a participant's employment with the Company, and to construe and interpret the Amended and Restated Plan. Such authority includes (subject to the limitations of the Amended and Restated Plan) the discretion to accelerate vesting, extend the term or waive termination provisions or other restrictive conditions of outstanding awards.

The Committee is authorized to include specific provisions in award agreements relating to the treatment of awards in the event of a Change in Control of the Company and is authorized to take certain other actions in such an event. Change in Control under the Amended and Restated Plan is defined generally to include: (i) a change in ownership involving a majority of the outstanding voting securities of the Company, (ii) a sale of all or substantially all of the assets of the Company or L-3 Communications Corporation or any successor thereto, (iii) the consummation of a merger, combination, consolidation, recapitalization, or other reorganization of the Company with one or more other entities that are not subsidiaries, if as a result of such reorganization, less than 50 percent of the outstanding voting securities of the surviving or resulting corporation are



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beneficially owned by the shareholders of the Company immediately prior to such event; (iv) certain changes, during any period of 24 months or less, of 50 percent or more of the members of its Board of Directors, or (v) in the Committee's sole discretion on a case-by-case basis with respect to outstanding awards to affected employees, the sale of a subsidiary, division or business unit.

The Committee may delegate to the officers or employees of the Company the authority to execute and deliver such instruments and documents and to take actions necessary, advisable or convenient for the effective administration of the Amended and Restated Plan. It is intended generally that the awards under the Amended and Restated Plan and the Amended and Restated Plan itself comply with and be interpreted in a manner that, in the case of participants who are subject to Section 16 of the Exchange Act and for whom (or whose awards) the benefits of Rule 16b-3 are intended, satisfies the applicable requirements of Rule 16b-3 so that such persons will be entitled to the benefits of Rule 16b-3 or other exemptive rules under that Section. Similarly and as described further below, it is intended generally that the awards under the Amended and Restated Plan will not be granted, deferred, accelerated, extended, modified or paid in a manner that would result in the participant incurring any tax liability under Section 409A of the Code. The Amended and Restated Plan provides that neither the Company nor any member of the Board of Directors or of the Committee shall have any liability to any person for any action taken or not taken in good faith under the Amended and Restated Plan.

***Amendment and Termination***

The Board of Directors has the authority to amend, suspend or discontinue the Amended and Restated Plan at any time, subject to any shareholder approval that may be required under applicable law and provided that no such action will affect any outstanding award in any manner adverse to the participant without the consent of the participant. Notwithstanding the foregoing, any amendment to the Amended and Restated Plan that would (i) materially increase the benefits accruing to any participant, (ii) materially increase the aggregate number of shares of Common Stock or other equity interests that may be issued under the Amended and Restated Plan, or (iii) materially modify the requirements as to eligibility for participation in this Amended and Restated Plan, shall be subject to shareholder approval. In addition, shareholder approval may be required to satisfy tax rules applicable to performance-based compensation under Section 162(m) or to subsequent grants of incentive stock options, or to satisfy other applicable legal requirements. Because the Committee retains the discretion to set and change the specific targets for each performance period under a performance-based award intended to be exempt from Section 162(m), shareholder ratification of the performance goals will be required, in any event, at five-year intervals in the future to exempt awards granted under the Amended and Restated Plan from the limitations on deductibility thereunder.

**Authorized Shares; Other Provisions; Non-Exclusivity**

If the Amended and Restated Plan is approved by shareholders, the maximum number of shares of Common Stock that may be issued in respect of awards under the Amended and Restated Plan may not exceed 26,013,817 shares. For purposes of this share limit, each share of Common Stock issued pursuant to full value awards (i.e., all awards other than stock options or SARs) granted from March 1, 2010 through February 25, 2013 will be counted as 2.60 shares; each share of Common Stock that may be issued pursuant to full value awards granted from February 26, 2013 through February 22, 2016 will be counted as 3.69 shares; and each share of Common Stock that may be issued

pursuant to full value awards granted on or after February 23, 2016 will be counted as 4.26 shares. In addition, (i) the maximum number of shares of Common Stock that may be issued pursuant to all awards of incentive stock options (i.e., stock options granted in accordance with Section 422 of the Internal Revenue Code) is 3,000,000, (ii) the maximum number of shares of Common Stock that may be issuable (or payable in cash by reference to such shares) under stock options or SARs granted during a calendar year to any employee shall be 750,000 and (iii) the maximum number of shares of Common Stock that may be issuable (or payable in cash by reference to such shares) under other performance based-awards granted during a calendar year to any employee shall be 300,000. For non-employee directors, the maximum number of shares of Common Stock that may be issuable (or payable in cash by reference to such shares) subject to awards granted during a calendar year, together with any cash fees paid to such non-employee director, shall not exceed \$525,000 in total value (which shall be calculated for awards granted under the Amended and Restated Plan based on the grant date fair value of such awards for financial reporting purposes and excluding the value of any dividends or dividend equivalents on unissued shares of Common Stock (or on unpaid amounts payable in cash by reference to such shares) underlying any such awards).

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The number and kind of shares available for grant and the shares subject to outstanding awards (as well as individual share limits on awards and exercise prices of awards) shall be adjusted to reflect the effect of a stock dividend, stock split, recapitalization, merger, consolidation, reorganization, combination or exchange of shares, extraordinary dividend or other distribution or other similar transaction. Any unexercised or undistributed portion of any expired, cancelled, terminated or forfeited award, or any alternative form of consideration under an award that is not paid in connection with the settlement of any portion of an award, will again be available for award under the Amended and Restated Plan, whether or not the participant has received benefits of ownership (such as dividends or dividend equivalents or voting rights) during the period in which the participant's ownership was restricted or otherwise not vested. However, the following shares of Common Stock shall not become available for reissuance under the Amended and Restated Plan: (i) shares tendered by participants as full or partial payment to the Company upon exercise of stock options or other awards granted under the Amended and Restated Plan; (ii) shares of Common Stock reserved for issuance upon the grant of SARs, to the extent the number of reserved shares exceeds the number of shares actually issued upon exercise of the SARs; (iii) shares withheld by, or otherwise remitted to, the Company to satisfy a participant's tax withholding obligations upon the lapse of restrictions on restricted stock or the exercise of stock options or SARs or upon any other payment or issuance of shares under any other award granted under the Amended and Restated Plan; and (iv) shares of Common Stock acquired by the Company in connection with the Amended and Restated Plan or the satisfaction of an award granted under the Amended and Restated Plan. With respect to the individual share limits on performance-based awards, awards that are cancelled will be counted against the applicable limits to the extent required by Section 162(m).

**UPON APPROVAL OF THE AMENDED AND RESTATED PLAN BY THE SHAREHOLDERS, THE COMPANY INTENDS TO REGISTER UNDER THE SECURITIES ACT OF 1933 THE ADDITIONAL 6,800,000 SHARES OF COMMON STOCK AUTHORIZED FOR ISSUANCE UNDER THE AMENDED AND RESTATED PLAN.**

Full payment for shares purchased on exercise of any option or received under any other award, along with payment of any required tax withholding, must be made in cash prior to the delivery of the underlying shares or, if permitted by the Committee, in shares of Common Stock delivered by the participant or withheld from an award, or any combination thereof, or pursuant to such cashless exercise procedures as may be permitted by the Committee.

Except as specifically provided under an individual participant's award agreement approved by the Committee, the minimum vesting period for awards of restricted stock is three years from the grant date (or one year in the case of restricted stock awards that are performance-based awards) and may not be accelerated to an earlier date except in the event of the participant's death, permanent disability or retirement or in the event of a Change in Control. The Amended and Restated Plan does not impose any minimum vesting periods on other types of awards, and the Committee may establish the vesting requirements (if any) for such awards in its sole discretion.

The Amended and Restated Plan is not exclusive and does not limit the authority of the Company, the Board of Directors or the Committee to grant awards or authorize any other compensation, with or without reference to the Common Stock, under any other plan or authority.

***Federal Income Tax Consequences***

The following is a general description of federal income tax consequences to participants and the Company relating to nonqualified and incentive stock options and certain other awards that may be granted under the Amended and Restated Plan. This discussion does not purport to cover all tax consequences relating to stock options and other awards.

An optionee will not recognize income upon the grant of a nonqualified stock option to purchase shares of Common Stock. Upon exercise of the option, the optionee will recognize ordinary compensation income equal to the excess of the fair market value of the Common Stock on the date the option is exercised over the option price for such Common Stock. The tax basis of the Common Stock acquired by exercising an option in the hands of the optionee will equal the option price for the Common Stock plus the amount of ordinary compensation income the optionee recognizes upon exercise of the option, and the holding period for the Common Stock will commence on the day the option is exercised. An optionee who sells Common Stock acquired by exercising an option will recognize capital gain or loss measured by the difference between the tax basis of the Common Stock and the amount realized on the sale. Such gain or loss will be long-term if the Common Stock is held for more than 12 months after exercise, and short-term if held for 12 months or less after exercise. The Company or a subsidiary will be entitled to a deduction equal to the amount of ordinary compensation income recognized by the optionee. The deduction will be allowed at the same time the optionee recognizes the income.

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## PROPOSALS REQUIRING YOUR VOTE

An optionee will not recognize income upon the grant of an incentive stock option to purchase shares of Common Stock, and will not recognize income upon exercise of the option, provided such optionee was an employee of the Company or a subsidiary at all times from the grant date until three months prior to exercise (or one year prior to exercise in the event of disability). Generally, the amount by which the fair market value of the Common Stock on the date of exercise exceeds the option price will be includable in alternative minimum taxable income for purposes of determining alternative minimum tax and such amount will be added to the tax basis of such Common Stock for purposes of determining alternative minimum taxable income in the year the Common Stock is sold. Where an optionee who has exercised an incentive stock option sells the shares acquired upon exercise more than two years after the grant date and more than one year after exercise, long-term capital gain or loss will be recognized equal to the difference between the sales price and the option price. An optionee who sells such shares within two years after the grant date or within one year after exercise will recognize ordinary compensation income in an amount equal to the lesser of (i) the difference between the fair market value of the shares on the date of exercise and the amount paid for the shares, or (ii) the excess of the amount realized on the sale over the adjusted basis in the shares. Any remaining gain or loss will be treated as a capital gain or loss. The Company or a subsidiary will be entitled to a deduction equal to the amount of ordinary compensation income recognized by the optionee in this case. The deduction will be allowable at the same time the optionee recognizes the income.

The current federal income tax consequences of other awards authorized under the Amended and Restated Plan generally follow certain basic patterns: SARs are taxed to the individuals and deductible by the Company in substantially the same manner as nonqualified stock options; and nontransferable restricted stock subject to a substantial risk of forfeiture results in income recognition equal to the excess of the fair market value of the Common Stock over the purchase price (if any) at the time the restrictions lapse (unless the recipient elects to accelerate recognition as of the grant date); in each of the foregoing cases, the Company will generally have (at the time the participant recognizes income) a corresponding deduction.

If, as a result of a Change in Control event, a participant's stock options or SARs or other rights become immediately exercisable, or restrictions immediately lapse on an award, or cash, shares or other benefits covered by another type of award are immediately vested or issued, the additional economic value, if any, attributable to the acceleration or issuance may be deemed a parachute payment under Section 280G of the Internal Revenue Code. In such case, the participant may be subject to a 20% non-deductible excise tax as to all or a portion of such economic value, in addition to any income tax payable. The Company will not be entitled to a deduction for that portion of any parachute payment that is subject to the excise tax.

Notwithstanding any of the foregoing discussions with respect to the deductibility of compensation under the Amended and Restated Plan, Section 162(m) would render non-deductible to the Company certain compensation in excess of \$1,000,000 in any year to the Named Executive Officers (other than the Chief Financial Officer), unless such excess compensation is performance-based (as defined in Section 162(m)) or is otherwise exempt from Section 162(m). The applicable conditions of an exemption for a performance-based compensation plan include, among others, a requirement that the shareholders approve the material terms of the plan. Stock options, SARs and certain (but not all) other types of awards may be granted to qualify for the exemption for performance-based compensation under Section 162(m).

Section 409A of the Internal Revenue Code generally establishes rules that must be followed with respect to covered deferred compensation arrangements in order to avoid the imposition of an additional 20% tax (plus interest) on the service provider who is entitled to receive the deferred compensation. Certain awards that may be granted under the Amended and Restated Plan may constitute deferred compensation within the meaning of and subject to Section 409A. The Amended and Restated Plan and award agreements entered into under the Amended and Restated Plan are intended to be interpreted and operated in accordance with Section 409A, including any regulations or guidance issued by the Treasury Department, and contain a number of provisions intended to avoid the imposition of additional tax on the Amended and Restated Plan participants under Section 409A (though each participant is solely responsible and liable for the satisfaction of all taxes and penalties in respect of any payments or benefits delivered in connection with the Amended and Restated Plan, including taxes and penalties under Section 409A). The Board of Directors may amend the Amended and Restated Plan, and the Committee may amend outstanding awards thereunder, while preserving the intended benefits of awards granted under the Amended and Restated Plan to avoid the imposition of an additional tax under Section 409A. In addition, it is intended under the Amended and Restated Plan that no award be granted, deferred, accelerated, extended, paid out or modified under the Amended and Restated Plan, and no award agreement be interpreted, in a manner that would result in the imposition of an additional tax under Section 409A on a participant. If it is reasonably determined that a payment with respect to an award would result in tax liability to a participant under 409A, the Company will not make the payment when otherwise required and instead will make the payment on the first day that payment would not result in the tax liability.

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**STOCK-BASED AWARDS PREVIOUSLY GRANTED UNDER THE 2008 LONG TERM****PERFORMANCE PLAN AS OF FEBRUARY 22, 2016**

Name and Position	Number of Shares Covered <sup>(1)</sup>				Total of All Columns in Table
	Stock Option Grants	Restricted Stock Unit Grants	Unit Grants <sup>(2)</sup>	Unit Grants <sup>(3)</sup>	
Michael T. Strianese (Chairman and Chief Executive Officer and Director)	1,815,650	280,509	165,884	63,369	2,325,412
Ralph G. D. Ambrosio (Senior Vice President and Chief Financial Officer)	379,632	59,056	35,856	10,547	485,091
Curtis Brunson (Executive Vice President of Corporate Strategy and Development)	387,059	60,163	36,519	10,772	494,513
Steve Kantor (Senior Vice President and President of Electronic Systems Group)	241,180	37,484	22,648	7,025	308,337
John S. Mega (Senior Vice President and President of Communication Systems Group)	127,828	19,812	11,929	3,840	163,409
All Current Executive Officers as a Group	3,398,087	559,622	306,475	103,318	4,367,502
All Current Directors who are not Executive Officers as a Group		28,590			28,590
All Employees, including all Current Officers who are not Executive Officers as a Group	2,459,521	4,417,260	104,625	41,629	7,023,035
All Employees	5,857,608	4,976,882	411,100	144,947	11,390,537

(1) The number of shares or units reported in this table reflects the terms of the awards on the date they were granted and does not reflect any subsequent adjustments made in connection with our spin-off of Engility Holdings, Inc. on July 17, 2012. In connection with the spin-off, the number of shares subject to then

outstanding option and stock awards, and the exercise price for the option awards, were adjusted to maintain the intrinsic value of each award as required pursuant to the terms of the 2008 Plan.

- (2) Reflects the number of shares of our Common Stock issuable assuming achievement of the Target level of performance in respect of performance units whose performance targets are based on earnings per share. The number of shares ultimately issued can range from 0% to 200% of the original award based upon the level of performance actually achieved.
- (3) Reflects the number of shares of our Common Stock payable in cash (based on the closing price of our Common Stock at the end of the applicable performance periods) assuming achievement of the Target level of performance in respect of performance units whose performance targets are based on total shareholder return. The number of shares underlying the amount of cash ultimately paid can range from 0% to 200% of the original award based upon the level of performance actually achieved.

The Amendment to the 2008 Plan is hereby proposed for approval by the shareholders. The affirmative vote of a majority of the votes cast at the Annual Meeting is required for approval of the Amendment to the 2008 Plan, provided that the total number of votes cast on the proposal must also represent a majority of all shares of Common Stock entitled to vote on the proposal. Abstentions and broker non-votes will have no effect on the outcome of this proposal, provided that the total number of votes cast on the proposal must also represent a majority of all shares of Common Stock entitled to vote on the proposal.

**The Board of Directors recommends a vote FOR the proposal to approve the amendment to the L-3 Communications Holdings Inc. Amended and Restated 2008 Long Term Performance Plan.**



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## PROPOSALS REQUIRING YOUR VOTE

**PROPOSAL 5 ADOPTION OF AGREEMENT AND PLAN OF MERGER EFFECTING THE ELIMINATION OF THE COMPANY'S HOLDING COMPANY STRUCTURE****What is the purpose of the Merger?**

The Company was organized in 1997 as a holding company for L-3 Communications Corporation (the *Subsidiary*), and its sole asset is the stock of the Subsidiary. Management of the Company believes that the holding company structure is no longer necessary, and that its elimination will result in cost savings and administrative efficiencies. Therefore, management has proposed that the Company be merged with and into the Subsidiary (the *Merger*) such that, immediately following the effective time of the Merger (the *Effective Time*), the Company's separate corporate existence will cease and the Subsidiary will continue as the surviving corporation (the *Surviving Corporation*). The Board of Directors, having reviewed and considered management's proposal, has determined that the proposed Merger is in the best interests of the Company and its shareholders, and has accordingly approved the Agreement and Plan of Merger, dated as of March 4, 2016 (a copy of which is attached hereto as Annex B, the *Merger Agreement*), and declared it advisable, and recommends that shareholders vote **FOR** the proposal to adopt the Merger Agreement.

Immediately following the Merger, the outstanding shares of common stock of the Surviving Corporation will be owned directly by the Company's shareholders in the same proportion as their ownership of shares of the Company's Common Stock immediately prior to the Merger. At this time, the Company has no shares of preferred stock issued and outstanding. The rights and privileges of the shareholders and the terms and provisions of the capital stock of the Surviving Corporation after the Merger will be identical to those of the shareholders and capital stock of the Company immediately prior to the Effective Time of the Merger.

**What are the material terms of the Merger?**

The following is a summary of the material terms of the Merger:

<i>Companies</i>	The Company is a Delaware corporation that was incorporated in 1997. The Subsidiary is a Delaware corporation and wholly-owned subsidiary of the Company. The Subsidiary was also incorporated in 1997.
<i>Transaction Structure</i>	Subject to the terms and conditions of the Merger Agreement, the Company will merge with and into the Subsidiary. Immediately after the Effective Time, the Company's separate corporate existence will cease and the Subsidiary will continue as the Surviving Corporation.
<i>Effect on Capital Stock</i>	At the Effective Time, each share of common stock, par value \$0.01 per share, of the Company (the <i>Company Common Stock</i> ) issued and outstanding or held in treasury immediately prior to the Effective Time will automatically be converted into one share of common stock, par value \$0.01 per share, of the Surviving Corporation (the <i>Surviving Corporation Common Stock</i> ), without any further action by the shareholders of the

Company or the Subsidiary. At the Effective Time, each share of common stock, par value \$0.01 per share, of the Subsidiary issued and outstanding immediately prior to Effective Time (all of which shall be owned by the Company) will automatically be cancelled for no consideration.

*Stock Certificates*

Upon consummation of the Merger, each stock certificate that, immediately prior to the Effective Time, represented shares of Company Common Stock will be deemed to represent an identical number of shares of Surviving Corporation Common Stock, unless and until the same are surrendered for exchange. No surrender or exchange of stock certificates formerly representing shares of Company Common Stock will be required in connection with the Merger.

*State of Incorporation*

There will be no change in the state of incorporation as a result of the Merger. The Company is a Delaware corporation, and the Subsidiary is a Delaware corporation.

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## PROPOSALS REQUIRING YOUR VOTE

*Further Effects of the Merger*

As a result of the Merger, the Certificate of Incorporation of the Subsidiary will be amended and restated in its entirety to be substantially in the form of the Amended and Restated Certificate of Incorporation of the Company as in effect immediately prior to the Effective Time, except that the provisions related to the classification of the Company's Board of Directors, which has been phased out, will be eliminated. In connection with the Merger, the bylaws of the Subsidiary will be amended and restated in their entirety to be substantially in the form of the Bylaws of the Company as in effect immediately prior to the Effective Time. Therefore, immediately after the Effective Time, the Surviving Corporation will have the same authorized capital stock, with the same rights, powers and privileges as the capital stock of the Company immediately prior to the Effective Time.

Immediately after the Effective Time, the Surviving Corporation will have the same consolidated assets, liabilities and shareholders' equity as the Company immediately prior to the Effective Time.

At the Effective Time, the directors of the Company as of immediately prior to the Effective Time will become the directors of the Surviving Corporation, each to hold office until the next annual meeting of shareholders of the Surviving Corporation and until his or her successor is duly elected and qualified, or until his or her earlier death, resignation or removal. At the Effective Time, the officers of the Company as of immediately prior to the Effective Time will become the officers of the Surviving Corporation, with each officer having the same title, powers and duties that he or she possessed as of immediately prior to the Effective Time and each serving until his or her successor is duly appointed and qualified or until his or her earlier death, resignation or removal.

Following the Merger, the Surviving Corporation will be a publicly traded company with reporting obligations under the Exchange Act. The Surviving Corporation's common stock will be listed on the NYSE under the same ticker symbol used by the Company today, LLL.

*Tax Consequences*

It is intended that the Merger will be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, with the result that shareholders will not recognize gain or loss as a result of the Merger.

*Termination*

Pursuant to its terms, at any time prior to the Effective Time, the Merger Agreement may be terminated and the Merger abandoned by unilateral action by the Board of Directors of the Company, regardless of whether the Merger Agreement has been adopted by shareholders.

*Timing* The Merger will become effective upon the filing of the certificate of merger with the Delaware Secretary of State, or such later date and time as is specified in the certificate of merger in accordance with Delaware law. The Merger is currently expected to be effective as of the close of business on December 31, 2016.

*Corporate Office* The Surviving Corporation will have the same address and executive office as the Company: 600 Third Avenue, New York, New York 10016.

**What are the conditions to the Merger?**

The Merger is subject to the following conditions:

- i The adoption of the Merger Agreement by the holders of a majority of the outstanding shares of the Company's Common Stock entitled to vote thereon and by the Company, as sole shareholder of the Subsidiary;
- i Approval for listing on the NYSE of the Subsidiary's common stock to be issued in the Merger;
- i Absence of a determination by the Board of Directors of the Company or the Subsidiary that the Merger is not in the best interests of the Company or the Subsidiary, respectively;
- i Absence of a temporary restraining order, preliminary or permanent injunction or other order or decree issued by any governmental entity of competent jurisdiction enjoining or otherwise preventing the consummation of the Merger; and

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PROPOSALS REQUIRING YOUR VOTE

- i Receipt of all consents, approvals and authorizations deemed necessary or advisable to be obtained prior to the consummation of the Merger, other than those the failure of which to be obtained, individually or in the aggregate, would not reasonably be expected to have a material adverse effect on the Company or the Subsidiary.

**Are there any regulatory requirements that apply to the Merger?**

In connection with the consummation of the Merger, the Subsidiary will file a certificate of merger with the Secretary of State of the State of Delaware, and the Company and the Subsidiary will comply with any obligations to make filings with the SEC under the Exchange Act.

**What are the key terms of the capital stock of the Company and the Surviving Corporation?**

The following description of the capital stock of the Company is a summary of certain provisions of the Company's Amended and Restated Certificate of Incorporation. As a result of the Merger, the Certificate of Incorporation of the Surviving Corporation will be amended and restated in its entirety to be substantially in the form of the Amended and Restated Certificate of Incorporation of the Company as in effect immediately prior to the Effective Time of the Merger. In addition, in connection with the Merger, the bylaws of the Surviving Corporation will be amended and restated in their entirety to be substantially in the form of the Bylaws of the Company as in effect immediately prior to the Effective Time, except that the provisions related to the classification of the Company's Board of Directors, which has been phased out, will be eliminated. Therefore, there will be no changes to the rights, powers and privileges of shareholders before and after the Merger. The authorized number of shares of capital stock of the Company, and the par value thereof per share, are as follows: 300,000,000 shares of Company Common Stock and 50,000,000 shares of preferred stock, par value \$0.01 per share (the Company Preferred Stock). The terms and provisions of the capital stock of the Surviving Corporation immediately after the Effective Time will be identical to those of the capital stock of the Company immediately prior to the Effective Time.

*Company Preferred Stock*

The Company's Amended and Restated Certificate of Incorporation authorizes the Board of Directors to issue, without further vote or action by holders of Company Common Stock, up to 50,000,000 shares of Company Preferred Stock from time to time in one or more series with such designations, voting rights, preferences as to dividends and in liquidation, conversion and other rights, qualifications, limitations and restrictions as may be provided for the issue of such series by resolution and adopted by the Board of Directors and the filing of a certificate of designation setting forth such resolution with the Delaware Secretary of State. This generally is referred to as "blank check" preferred stock. Any series of Company Preferred Stock so designated could have priority over Company Common Stock as to dividends and as to the distribution of our assets upon any liquidation, dissolution or winding up of the Company. At this time, there are no shares of Company Preferred Stock issued and outstanding.

*Company Common Stock*

Subject to the rights of the holders of any shares of any series of Company Preferred Stock that may be outstanding from time to time, holders of Company Common Stock are entitled to (1) vote on all matters submitted to a vote of shareholders except as otherwise required by law; (2) receive dividends out of funds legally available for distribution when and if declared by the Company's Board of Directors; and (3) receive the remaining assets of the Company available for distribution to shareholders in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Corporation.

Under the Company's Amended and Restated Certificate of Incorporation, holders of Company Common Stock do not have any preemptive rights to purchase or otherwise acquire any shares of any class or series of capital stock of the Company, or any options or rights to purchase or acquire shares of any class or series of capital stock of the Company, or any other securities of the Company convertible into or exchangeable or exercisable for shares of any class or series of capital stock of the Company, whether now or hereafter authorized. In addition, holders of Company Common Stock do not have the right to cumulate their votes with respect to the election of directors or any other matters.

30 L-3 COMMUNICATIONS HOLDINGS, INC. *Proxy Statement*

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PROPOSALS REQUIRING YOUR VOTE

**Will the Surviving Corporation keep the same stock exchange listing?**

The Surviving Corporation Common Stock will be listed on NYSE under the same symbol as the Company, LLL. The Surviving Corporation will be a publicly-traded company with reporting obligations under the Exchange Act.

**Will the Surviving Corporation have the same dividend policy?**

It is expected that the Surviving Corporation will follow the Company's dividend policy at the time of the Merger. The payment of any future cash dividends following the Merger will be determined by the Surviving Corporation's Board of Directors in light of conditions then existing, including the Surviving Corporation's earnings, financial condition and capital requirements, restrictions in financing agreements, business conditions, certain corporate law requirements and other factors.

**Will the Surviving Corporation have the same management?**

In connection with the Merger, the directors of the Company as of immediately prior to the Effective Time will become the directors of the Surviving Corporation, each to serve until the next annual meeting of the Surviving Corporation and until his or her successor is duly elected and qualified, or until his or her earlier death, resignation removal or retirement. In addition, in connection with the Merger, the officers of the Company as of immediately prior to the Effective Time will become the officers of the Surviving Corporation, each having the same title, powers and duties he or she possessed as of immediately prior to the Effective Time and each serving until his or her successor is duly appointed and qualified or until his or her earlier death, resignation or removal.

**Will shareholders have the right to seek appraisal?**

Under the Delaware General Corporation Law, shareholders are not entitled to appraisal rights in connection with the Merger.

**What will the Surviving Corporation's debt structure be after the Merger?**

The Subsidiary is currently the borrower under the Amended and Restated Revolving Credit Facility (the Credit Facility), which as of December 31, 2015, has no borrowings outstanding. As of December 31, 2015, the Subsidiary has issued and outstanding \$500 million aggregate principal amount of 3.95% senior notes due 2016, \$350 million aggregate principal amount of 1.50% senior notes due 2017, \$1.0 billion aggregate principal amount of 5.20% senior notes due 2019, \$800 million aggregate principal amount of 4.75% senior notes due 2020, \$650 million aggregate principal amount of 4.95% senior notes due 2021, and \$350 million aggregate principal amount of 3.95% senior notes due 2024 (collectively, the Senior Notes). The Merger is permitted under the terms of the Credit Facility and the Senior Notes. Following the Merger, the Surviving Corporation will continue to be the borrower under the Credit Facility and the issuer of the Senior Notes.

**Will the Surviving Corporation continue the Company's stock, incentive and other benefit plans?**

As a result of the Merger, the Surviving Corporation will assume and continue all of the Company's stock and other compensation, benefit and incentive plans (such as the 2008 Plan, as the same may be amended prior to the Effective Time, including pursuant to Proposal 4) and will assume all outstanding stock options, stock appreciation rights, nonvested stock, restricted stock units, other share-based awards and performance awards previously granted or incurred under such plans. In connection with the Merger, each of the Company's outstanding stock options, stock appreciation rights, nonvested stock, restricted stock, restricted stock units, other share-based awards and performance awards will be converted into a stock option, stock appreciation right, nonvested stock, restricted stock, restricted stock unit, other share-based award or performance award, respectively, covering the same number of shares of Surviving Corporation Common Stock, and with the same terms and conditions, including the same vesting and other restrictions, which will not be affected by the Merger.

**What are the material U.S. federal income tax consequences of the Merger?**

The following discussion summarizes the material U.S. federal income tax considerations of the Merger. The following discussion is based upon the current provisions of the Code, its legislative history, administrative pronouncements, judicial decisions and Treasury regulations, all of which are subject to change, possibly with retroactive effect. The following discussion does not purport to be a complete discussion of all U.S. federal income tax considerations. The following discussion



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PROPOSALS REQUIRING YOUR VOTE

does not address the tax consequences of the Merger under state, local or non-U.S. tax laws. In addition, the following discussion may not apply, in whole or in part, to particular categories of shareholders, such as dealers in securities, insurance companies, foreign persons, financial institutions and tax-exempt organizations. Finally, a tax ruling from the Internal Revenue Service has not been requested. **THE FOLLOWING DISCUSSION IS INCLUDED FOR GENERAL INFORMATION ONLY. ALL SHAREHOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS TO DETERMINE THE SPECIFIC TAX CONSEQUENCES OF THE MERGER, INCLUDING ANY STATE, LOCAL OR NON-U.S. TAX CONSEQUENCES.**

It is intended that the Merger will be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code. As such, in general:

- i No gain or loss will be recognized for U.S. federal income tax purposes by the Company or the Subsidiary; and
- i Shareholders will recognize no gain or loss upon the conversion of shares of Company Common Stock into shares of Surviving Corporation Common Stock.

**What will happen if this proposal is not approved by shareholders?**

The proposal to adopt the Merger Agreement requires the affirmative vote of the holders of a majority of the outstanding shares of the Company's Common Stock entitled to vote thereon. Abstentions and broker non-votes will have the same effect as a vote AGAINST this proposal. If the shareholders do not approve this proposal, the Company will not effect the Merger this year. The Company expects that it would continue to operate using its current holding company structure, rather than the simpler, more cost-efficient structure that is being proposed.

**The Board of Directors unanimously recommends that shareholders  
vote FOR the proposal to adopt the Merger Agreement.**

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PROPOSALS REQUIRING YOUR VOTE

**PROPOSAL 6 SHAREHOLDER PROPOSAL TO AMEND THE COMPANY S CERTIFICATE OF INCORPORATION TO PERMIT SHAREHOLDERS TO TAKE ACTION BY WRITTEN CONSENT**

Set forth below is a shareholder proposal that we have been advised will be presented at the Annual Meeting by John Chevedden, 2215 Nelson Ave., No. 205 Redondo Beach, CA 90278, beneficial owner of at least \$2,000 in market value of our Common Stock.

We are not responsible for the contents of the proposal. The Board makes no recommendation regarding this proposal.

\* \* \* \*

**Proposal 6 Simple Majority Vote**

RESOLVED, Shareholders request that our board take the steps necessary so that each voting requirement in our charter and bylaws that calls for a greater than simple majority vote be eliminated, and replaced by a requirement for a majority of the votes cast for and against applicable proposals, or a simple majority in compliance with applicable laws. If necessary this means the closest standard to a majority of the votes cast for and against such proposals consistent with applicable laws.

This includes the provision in our certificate of incorporation which states:

TENTH: Notwithstanding the provisions of Section 228 of the General Corporation Law of the State of Delaware, the stockholders of the Corporation may take action by written consent only if all of the stockholders entitled to vote on the matter sign such consent. This Article TENTH may not be amended without the unanimous consent of all stockholders entitled to vote on the matter.

Shareowners are willing to pay a premium for shares of companies that have excellent corporate governance. Supermajority voting requirements, the target of this proposal, have been found to be one of 6 entrenching mechanisms that are negatively related to company performance according to What Matters in Corporate Governance by Lucien Bebchuk, Alma Cohen and Allen Ferrell of the Harvard Law School. Supermajority requirements are used to block initiatives supported by most shareowners but opposed by a status quo management.

This proposal topic won from 74% to 88% support at Weyerhaeuser, Alcoa, Waste Management, Goldman Sachs, FirstEnergy, McGraw-Hill and Macy s. Currently less than a 1%-minority can frustrate the will of our 99%-shareholder majority. In other words a 1%-minority could have the power to prevent shareholders from improving our corporate governance.

Please vote to enhance shareholder value:

**Simple Majority Vote Proposal 6**

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BOARD AND GOVERNANCE MATTERS

**THE BOARD OF DIRECTORS AND CERTAIN GOVERNANCE MATTERS**

Our Board of Directors oversees the management of our business and affairs, as provided by Delaware law, and conducts its business through meetings of the Board of Directors and four standing committees: Audit, Compensation, Nominating/Corporate Governance and Executive Committees. In addition, from time to time, special committees may be established under the direction of the Board of Directors when necessary to address specific issues.

**LEADERSHIP STRUCTURE**

The Board of Directors determined that combining the Chief Executive Officer and Chairman positions is the appropriate leadership structure for L-3 at this time. The Board of Directors believes that one-size does not fit all, and the decision of whether to combine or separate the positions of Chief Executive Officer and Chairman will vary company to company and depend upon a company's particular circumstances at a given point in time. Accordingly, the Board of Directors carefully considers from time to time whether the Chief Executive Officer and Chairman positions should be combined based on what the Board of Directors believes is best for the Company and its shareholders.

Board structures vary greatly among U.S. public corporations, with 52% of S&P 500 companies combining the positions of Chief Executive Officer and Chairman and only 29% of the S&P 500 having an independent chairman, according to a recent survey. The Board of Directors does not believe that the evidence demonstrates that any one leadership structure is more effective at creating long-term shareholder value. The Board of Directors believes that an effective leadership structure could be achieved either by combining or separating the Chief Executive Officer and Chairman positions, if the structure encourages the free and open dialogue of competing views and provides for strong checks and balances. Specifically, an effective governance structure must balance the powers of the Chief Executive Officer and the independent directors and ensure that the independent directors are fully informed, able to discuss and debate the issues that they deem important, and able to provide effective oversight of management.

The Board of Directors believes that if the positions of Chief Executive Officer and Chairman are combined, then appointing a lead independent director is necessary for effective governance. Accordingly, the Company's Corporate Governance Guidelines provide that, in the event the Chief Executive Officer and Chairman positions are combined, the independent members of the Board of Directors will elect a Lead Independent Director. In addition to presiding at executive sessions of the independent directors, the responsibilities of the Lead Independent Director, which are clearly set forth in the Company's Corporate Governance Guidelines, also include:

- ;
- ;
- ;
- i presiding at all meetings of the Board of Directors at which the Chairman is not present;
- i approving schedules for Board of Directors meetings;
- i approving the agendas for meetings of the Board of Directors;

- ;
- i approving the information sent to the Board of Directors for meetings of the Board of Directors;
- ;
- i authority to call meetings of the independent directors;
- ;
- i specifically requesting the inclusion of certain materials for Board of Directors meetings, when appropriate;
- ;
- i being available for consultation and direct communication with major shareholders, if requested;
- ;
- i recommending, as appropriate, that the Board of Directors retain consultants who will report directly to the Board of Directors; and
- ;
- i acting as a liaison between the independent directors and the Chairman.

The Board of Directors believes that the responsibilities delegated to the Lead Independent Director are substantially similar to many of the functions typically fulfilled by a board chairman. The Board of Directors believes that its Lead Independent Director position balances the need for effective and independent oversight of management with the need for strong, unified leadership. The Board of Directors believes that one of the key elements of effective, independent oversight is that the independent directors meet in executive session on a regular basis without the presence of management. Accordingly, in 2015, the independent directors met in executive session eight times with the Lead Independent Director presiding at such meetings.

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**BOARD AND GOVERNANCE MATTERS**

While L-3's approach regarding its leadership structure has varied depending on what was best for L-3 at a particular point in time, the Board of Directors believes that its current structure of combining the roles of Chairman and Chief Executive Officer and electing a strong independent Lead Director is in the best interest of L-3 at this time as it allows for a balance of power between the Chief Executive Officer and the independent directors and provides an environment in which its independent directors are fully informed, have significant input into the content of Board meeting agendas and are able to provide objective and thoughtful oversight of management. The Board also believes that L-3's current leadership structure does not affect the Board's role in risk oversight of the Company. In addition, the Board of Directors also believes that combining the roles of Chairman and Chief Executive Officer gives L-3 the best chance to continue its strong performance over the long term. With the competitive environment as challenging as it is, it continues to be more important for L-3 to increasingly seek out business opportunities in the international community. In L-3's industry, the Board of Directors believes that access to decision-makers in foreign countries is made easier when the roles of Chairman and Chief Executive Officer are combined as their customs often dictate having comparable titles when conducting negotiations. Moreover, since most of L-3's industry peers have combined the roles of Chairman and Chief Executive Officer, L-3 believes that separating such roles would put us at a significant competitive disadvantage.

**INDEPENDENCE**

The Board of Directors has affirmatively determined that no director nominees other than Mr. Strianese, including those who serve on the Audit, Compensation and Nominating/Corporate Governance Committees of the Board of Directors, has a material relationship with us, either directly or as a partner, shareholder or officer of an organization that has a relationship with us. Therefore, all of our director nominees, other than Mr. Strianese, are independent under all applicable standards. In connection with its determination that Mr. Millard and Professor Canizares are independent directors, the Board of Directors considered the fact that we conducted business: (1) with MIT where Mr. Millard is chair of the MIT Corporation and Professor Canizares is employed as a full time professor, and (2) with Sandia National Laboratories, where Professor Canizares is a consultant. Payments made to or received from MIT and Sandia National Laboratories, as applicable, were less than 1% of their respective annual consolidated gross revenues for their last completed fiscal years. Mr. Millard and Professor Canizares did not have any interest in these transactions and were not involved in decisions regarding L-3 with respect to these transactions.

General (Ret.) Dunwoody serves as a director (but not as an executive officer or employee) for a non-profit organization to which we have made charitable contributions. Contributions to this organization did not exceed either \$120,000 or 1% of the organization's annual consolidated gross revenues during its last completed fiscal year and was below the thresholds set forth under our categorical standards of director independence.

In addition, the Board of Directors has determined that Professor Canizares and Messrs. Corcoran, Kramer, Pagano and Simon, members of the Audit Committee, and Messrs. Millard and Kramer and General (Ret.) Newton, members of the Compensation Committee, are independent in accordance with the NYSE standards applicable to members of the Audit Committee and Compensation Committee, respectively.

The Board of Directors has adopted Corporate Governance Guidelines that meet the independence standards of the NYSE. Also, as part of our Corporate Governance Guidelines, the Board of Directors has adopted categorical

standards to assist it in evaluating the independence of each of its directors. The categorical standards are intended to assist the Board of Directors in determining whether or not certain relationships between our directors and us, either directly or as a partner, shareholder or officer of an organization that has a relationship with us, are material relationships for purposes of the NYSE independence standards. The categorical standards establish thresholds at which such relationships are deemed not to be material. Our Corporate Governance Guidelines, which include our categorical standards of independence, can be obtained through our website at <http://www.L-3com.com>.

Directors are expected to attend board meetings and meetings of the committees on which they serve, to spend the time needed, and to meet as frequently as necessary, in order to properly discharge their responsibilities. In addition, to the extent reasonably practicable, directors are expected to attend shareholder meetings. During the fiscal year ended December 31, 2015, the Board of Directors held ten meetings. Each director attended at least 75% of the combined number of meetings of the Board of Directors and meetings of committees on which he or she served during the period in 2015 in which he or she served as a director or member of such committee, as applicable. All of our directors attended the 2015 Annual Meeting in person. In accordance with applicable NYSE listing requirements, our independent directors hold regular executive sessions at which management, including the Chairman and Chief Executive Officer, is not present. Mr. Millard, our Lead Independent Director of the Board of Directors, presides at the regularly held executive sessions of the independent directors.

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BOARD AND GOVERNANCE MATTERS

**BOARD OF DIRECTORS COMPOSITION**

The Board and the Nominating/Corporate Governance Committee takes a long-term approach to the composition of the Board of Directors. Since 2011, four new directors have joined the Board. We believe that our Board's blend of tenure strikes a balance that provides superior Company, regulatory and industry knowledge, while executing effective oversight and independence in the best interests of our shareholders.

The Board of Directors seeks to ensure that the Board is composed of members whose particular experience, qualifications, attributes and skills, when taken together, will allow the Board of Directors to satisfy its oversight responsibilities effectively. In that regard, the Nominating/Corporate Governance Committee is responsible for recommending candidates for all directorships to be filled by the Board of Directors or by the shareholders at an annual or special meeting. In identifying candidates for membership on the Board of Directors, the Nominating/Corporate Governance Committee takes into account (1) minimum individual qualifications, such as strength of character, mature judgment, industry knowledge or experience and an ability to work collegially with the other members of the Board of Directors and (2) all other factors it considers appropriate. In addition, although the Board of Directors does not have a policy with regard to the consideration of diversity in identifying director nominees, among the many factors that the Nominating/Corporate Governance Committee carefully considers are the benefits to the Company of diversity, including gender and racial diversity, in board composition.

As part of its recurring activities, the Nominating/Corporate Governance Committee seeks to identify qualified candidates to sit on the Board of Directors. To identify and recruit qualified candidates for the Board, the Nominating/Corporate Governance Committee has previously utilized the services of professional search firms and has also sought referrals from other members of the Board, management, shareholders and other sources. After conducting an initial evaluation of a candidate, one or more members of the Nominating/Corporate Governance Committee will interview that candidate if the Nominating/Corporate Governance Committee believes the candidate might be suitable to be a director and may also ask the candidate to meet with other directors and management. If the Nominating/Corporate Governance Committee believes a candidate would be a valuable addition to the Board of Directors, it will recommend to the full Board of Directors that candidate's election.

Each year, the Nominating/Corporate Governance Committee evaluates each director to obtain his or her assessment of the effectiveness of the Board and committees, as well as the director performance and Board dynamics, and then summarizes this evaluation for discussion with the Board and committees. The Nominating/Corporate Governance Committee also performs an annual assessment to see that the directors have the skills and experience to effectively oversee the Company.

The Nominating/Corporate Governance Committee will consider candidates for nomination as a director recommended by shareholders, directors, officers, third party search firms and other sources.



The Nominating/Corporate Governance Committee will review all candidates for director in the same manner, regardless of the source of the recommendation. Individuals recommended by shareholders for nomination as a director will be considered in accordance with the procedures described under Questions and Answers About Board Communications, Company Documents and Shareholder Proposals on page 94 of this Proxy Statement.

When considering whether the Board's directors and nominees have the experience, qualifications, attributes and skills, taken as a whole, to enable the Board of Directors to satisfy its oversight responsibilities effectively in light of L-3's business and structure, the Board of Directors focused primarily on results of the annual Board and committee evaluations and on the information discussed in each of the Board members' or nominees' biographical information set forth on pages 11-16. In addition, in connection with the nominations of the current slate of director nominees, the Board of Directors considered their valuable contributions to L-3's success during their years of Board service.

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## BOARD AND GOVERNANCE MATTERS

**COMMITTEES OF THE BOARD OF DIRECTORS**

The Board has established various committees to assist it with the performance of its responsibilities. The Board designates the members of these committees and the committee chairs based on the recommendations of the Nominating/Corporate Governance Committee. The chair of each committee develops the agenda for its committee and each committee regularly provides a full report to the Board.

The Board has adopted written charters for each of the Audit, Compensation and Nominating/Corporate Governance Committees. These charters are available on the Company's website at [www.L-3com.com/investor-relations/corporate-governance](http://www.L-3com.com/investor-relations/corporate-governance). The following table summarizes the primary responsibilities of the committees:

<b>Committee</b>	<b>Primary Responsibilities</b>
Audit	<p>The Audit Committee is generally responsible for, among other things:</p> <ul style="list-style-type: none"> <li>selecting, appointing, compensating, retaining and terminating our independent registered public accounting firm;</li> <li>overseeing the auditing work of any independent registered public accounting firm employed by us, including the resolution of any disagreements, if any, between management and the independent registered public accounting firm regarding financial reporting, for the purpose of preparing or issuing an audit report or performing other audit, review or attest services;</li> <li>pre-approving audit, other audit, audit-related and permitted non-audit services to be performed by the independent registered public accounting firm and related fees;</li> <li>meeting with our independent registered public accounting firm to review the proposed scope of the annual audit of our financial statements and to discuss such other matters that it deems appropriate;</li> <li>reviewing the findings of the independent registered public accounting firm with respect to the annual audit;</li> <li>meeting to review and discuss with management and the independent registered public accounting firm our periodic financial reports prior to our filing them with the SEC and reporting annually to the Board of Directors with respect to such matters;</li> </ul>

reviewing with our financial and accounting management, the independent registered public accounting firm and internal auditor the adequacy and effectiveness of our internal control over financial reporting, financial reporting procedures and disclosure controls and procedures;

reviewing the internal audit function; and

reporting to the Board of Directors regarding matters covered at each committee meeting on a timely basis.

In 2015, the Audit Committee held 10 meetings. During 2015, among other things, the Audit Committee:

met with the senior members of the Company's financial management team at each regularly scheduled meeting;

met in executive session with each of the independent auditor, Vice President of Internal Audit and Corporate Ethics Officer;

regularly met with various members of the Company's ethics organization, including the Corporate Ethics Officer to (i) discuss the effectiveness of the Company's ethics program and (ii) receive updates on the management training program for supervisors;

received periodic updates on management's evaluation and compliance with, the Company's system of internal control over financial reporting, remediation activities to address material weaknesses and significant deficiencies and management's conclusions on the effectiveness of the Company's internal control over financial reporting;

reviewed and discussed with management and the independent auditors the Company's earnings releases and quarterly reports on Form 10-Q and annual reports on Form 10-K prior to filing with the SEC;

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BOARD AND GOVERNANCE MATTERS

<b>Committee</b>	<b>Primary Responsibilities</b>
	<p>met with the independent auditors and management to review and approve the scope of the audit proposed for 2015 and the audit procedures to be utilized and any subsequent changes to such scope and/or procedures; and</p> <p>discussed with management the guidelines and policies with respect to risk assessment and risk management including major financial risk exposure, the steps taken to monitor and control such risks and material changes to the Company's Enterprise Risk Management since they last met.</p>
Compensation	<p>The Compensation Committee is generally responsible for, among other things:</p> <p>reviewing and approving corporate goals and objectives relevant to the Chief Executive Officer's compensation;</p> <p>evaluating the performance of the Chief Executive Officer in light of these corporate goals and objectives and, either as a committee or together with other independent directors (as directed by the Board of Directors), determining and approving the annual salary, bonus, equity and equity-based incentives and other benefits, direct and indirect, of the Chief Executive Officer based on such evaluation;</p> <p>reviewing and approving the annual salary, bonus, equity and equity-based incentives and other benefits, direct and indirect, of the other executive officers;</p> <p>discussing the results of the shareholder advisory vote on the compensation paid to our named executive officers;</p> <p>reviewing and making recommendations to the Board of Directors with respect to director compensation;</p> <p>reviewing and recommending to the Board of Directors, or approving, all equity-based awards, including pursuant to the Company's equity-based plans;</p> <p>reviewing and approving, or making recommendations to the Board of Directors with respect to, the Company's equity-based plans and executive officer incentive compensation plans, and overseeing the activities of the individuals responsible for administering those plans;</p> <p>reviewing and discussing with management, on at least an annual basis, management's assessment of whether risks arising from the Company's compensation policies and practices for all employees, including non-executive officers, are reasonably likely to have a material adverse</p>

effect on the Company;

reviewing and discussing the Compensation Discussion and Analysis section contained in this Proxy Statement;

retaining or terminating, as necessary or appropriate, and approving the fees and any other retention terms for, compensation and benefits consultants and other outside consultants, legal counsels or advisors hired to provide independent advice to the Committee;

evaluating on at least an annual basis whether any work provided by a compensation consultant retained by the Committee raised any conflict of interest; and

reporting to Board of Directors regarding matters covered at each committee meeting on a timely basis.

In 2015, the Compensation Committee held 7 meetings. During 2015, among other things, the Compensation Committee:

reviewed and approved all elements of target pay for senior executives, including the terms and performance goals for new annual and long-term incentive awards;

assessed historical performance achievements under annual and long-term incentive plans, and reviewed and approved related performance-based payouts to senior executives;

approved equity-based awards for non-executive employees, and evaluated equity plan share usage and share dilution;

evaluated the suitability of the Company's compensation peer group used to benchmark the Company's pay programs;

evaluated the Company's executive and non-employee director compensation programs as compared to peer company pay practices and pay levels;

reviewed current and accumulated compensation for named executive officers using tally sheets;

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BOARD AND GOVERNANCE MATTERS

**Committee**

**Primary Responsibilities**

reviewed executive and non-employee director compliance with stock ownership guidelines;

reviewed and discussed the 2015 compensation risk assessment with management; and

reviewed and discussed the executive compensation disclosures to be included in our 2015 Proxy Statement, including the Compensation Discussion and Analysis.

In fulfilling its responsibilities, the Compensation Committee can delegate any or all of its responsibilities to a subcommittee of the committee consisting of two or more members. For a discussion concerning the processes and procedures for considering and determining executive and director compensation and the role of executive officers and compensation consultants in determining or recommending the amount or form of executive and director compensation, see Compensation Discussion and Analysis beginning on page 47 and Compensation of Directors beginning on page 86.

Nominating/  
Corporate  
Governance

The Nominating/Corporate Governance Committee is generally responsible for, among other things:

developing, recommending and monitoring corporate governance policies and procedures for the Company and the Board of Directors;

recommending to the Board of Directors criteria for the selection of new directors;

identifying and recommending to the Board of Directors individuals to be nominated as directors;

evaluating candidates recommended by shareholders in a timely manner;

conducting all necessary and appropriate inquiries into the backgrounds and qualifications of possible candidates;

the evaluation of the Board of Directors and management;

approving the management continuity planning process; and

reporting to Board of Directors regarding matters covered at each committee meeting on a timely basis.

In 2015, the Nominating/Corporate Governance Committee held 4 meetings. During 2015, among other things, the Nominating/Corporate Governance Committee:

reviewed changes to the governance landscape;

assessed the independence of the non-management directors;

recommended changes to the Company's Certificate of Incorporation and Bylaws;

reviewed and evaluated the succession plans relating to the Chief Executive Officer and other executive officer positions;

discussed the Company's investor outreach efforts;

considered the proposals submitted by shareholders;

evaluated changes to the Committee's charter and Company's Governance Guidelines;

discussed the composition of the Board of Directors, the nomination process and potential candidates for the Board of Directors;

monitored directors' ongoing continuing education activities and engaged outside experts to provide continuing director education for the Board of Directors;

discussed the results of Board and Committee self-evaluations; and

reviewed the process for conducting Board and Committee self-evaluations and any recommendations for improvements to the self-evaluation process.

Executive The Executive Committee may exercise most board powers during periods between board meetings. The Executive Committee did not meet during 2015.

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BOARD AND GOVERNANCE MATTERS

**COMPENSATION COMMITTEE USE OF CONSULTANTS**

As set forth in its charter, the Compensation Committee has the sole authority to retain or terminate, as necessary or appropriate, outside consultants to provide advice to the Compensation Committee in connection with its fulfillment of its responsibilities. The Compensation Committee engages Frederic W. Cook ( FW Cook ) to serve as the Compensation Committee's independent consultant. FW Cook and its affiliates do not provide any services to the Company or any of the Company's affiliates other than advising the Compensation Committee on director and executive officer compensation. In 2015, the Compensation Committee requested that FW Cook advise it directly on a variety of compensation-related matters, including:

- validating the compensation peer group to be used for competitive benchmarking;
- preparing analyses and recommendations of senior executive compensation levels as compared to the compensation peer group and published compensation surveys;
- assessing the pay recommendations that the Chief Executive Officer developed for senior executives, including the named executive officers;
- developing pay recommendations for the Chief Executive Officer;
- assessing the alignment of senior executive pay and company performance;
- preparing analyses and recommendations of non-employee director pay levels as compared to the peer group;
- preparing analyses of equity plan share usage and share dilution as compared to the peer group;
- assessing performance measures and targets for annual and long-term incentive awards;
- updating the Compensation Committee on executive compensation trends; and



- i recommending executive compensation program changes in response to executive compensation trends and shareholder concerns identified through investor engagement efforts or otherwise.

In the course of conducting its activities, FW Cook attended meetings of the Compensation Committee and presented its findings and recommendations to the Compensation Committee for discussion. During 2015, FW Cook also met with management to obtain and validate data, and review materials. In March of 2016, the Compensation Committee evaluated whether any work performed by FW Cook raised any conflict of interest and determined that it did not.

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## BOARD AND GOVERNANCE MATTERS

The following table sets forth the current members of each of the Committees and the number of meetings held during 2015:

<b>Name</b>	<b>Audit<sup>(1)</sup></b>	<b>Compensation<sup>(2)</sup></b>	<b>Nominating/ Corporate Governance<sup>(3)</sup></b>	<b>Executive</b>
Claude R. Canizares*				
Thomas A. Corcoran*				
Ann E. Dunwoody*				
Lewis Kramer*				
Robert B. Millard <sup>*(4)</sup>				
Lloyd W. Newton*				
Vincent Pagano, Jr.*				
H. Hugh Shelton*				
Arthur L. Simon*				
Michael T. Strianese				
<b>2015 Meetings</b>	<b>10</b>	<b>7</b>	<b>4</b>	<b>0</b>

\* Independent Director.

(1) The Audit Committee consists entirely of non-management directors all of whom the Board has determined are independent within the meaning of the listing standards of the NYSE and Rule 10A-3 of the Securities Exchange Act of 1934, as amended (the Exchange Act). The Board has determined that all members of the Audit Committee are financially literate and that Messrs. Kramer and Simon are both audit committee financial experts within the meaning set forth in the regulations of the SEC.

(2) The Compensation Committee consists entirely of non-management directors all of whom the Board has

determined are independent within the meaning of the listing standards of the NYSE; are non-employee directors for the purposes of Rule 16b-3 of the Exchange Act; and satisfy the requirements of Internal Revenue Code Section 162(m) for outside directors.

- (3) The Nominating/Corporate Governance Committee consists entirely of non-management directors all of whom the Board has determined are independent within the meaning of the listing standards of the NYSE and our standards of independence.

- (4) Lead Independent Director.

#### **OVERSIGHT OF RISK MANAGEMENT**

L-3 is exposed to various risks including, but not limited to, strategic, operational, financial, liquidity and reputational, and also risks relating to reporting, pending and threatened litigation, and regulatory and legal compliance. L-3's enterprise risk profile is also affected by changes in the yearly budget and spending levels, priorities and procurement practices, and also the fiscal situations and general economic conditions affecting our major customers, especially the U.S. Department of Defense. L-3's management designed the Company's enterprise risk management process to identify, monitor and evaluate these risks, and develop an approach to address each identified risk. L-3's enterprise risk management process is a company-wide initiative and involves each of our operating segments and business units. The Company takes a multi-disciplinary approach to risk.

L-3's Chief Financial Officer, at the direction of the Chief Executive Officer, is responsible for overseeing the Company's enterprise risk management process and periodically reports enterprise risk information to each of the Chief Executive Officer, the Audit Committee and the Board of Directors. In fulfilling his risk management responsibilities, the Chief Financial Officer works closely with members of the senior management team, including the Company's Chief Operating Officer, General Counsel, the Executive Vice President of Corporate Strategy and Development, the Vice President, Controller and Principal Accounting Officer, the Vice President Planning, and each of the business unit group presidents and group chief financial officers.

On behalf of the Board of Directors, the Audit Committee plays a key role in the oversight of the Company's enterprise risk management function. In this regard, the Audit Committee discusses policies with respect to risk assessment and risk management, and the Company's Chief Financial Officer meets with the Audit Committee at least five times per year to specifically discuss the enterprise risks facing the Company, highlighting any new risks that may have arisen since they last met. Additionally, at each Board of Directors meeting, the Chief Executive Officer and Chief Financial Officer report information about major risks facing the company. Finally, the Chief Financial Officer reports directly to the Board of Directors at least once per year to apprise it directly of the Company's enterprise risk management process.

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EXECUTIVES AND CERTAIN OTHER OFFICERS OF THE COMPANY

**EXECUTIVES AND CERTAIN OTHER OFFICERS OF THE COMPANY**

Set forth below is certain information regarding each of our current executives, other than Mr. Strianese who is presented under Proposals Requiring Your Vote Proposal 1 Election of Directors Nominees For Election to the Board of Directors in 2016, and certain of our other officers.

**CHRISTOPHER E. KUBASIK**

**President and Chief Operating Officer**

**Age 54**

**Principal Occupation And Other Information**

Mr. Kubasik became our President and Chief Operating Officer in October 2015. From March 2014 to October 2015, Mr. Kubasik served as President and Chief Executive Officer of the Seabury Advisory Group. From 2013 to 2014, Mr. Kubasik served as President and Chief Executive Officer of Ackuity Advisors, Inc. Prior to that, Mr. Kubasik held various executive positions with Lockheed Martin Corporation including Vice Chairman, President and Chief Operating Officer from 2010 to 2012; Executive Vice President of Electronic Systems division from 2007 to 2009; and Executive Vice President and Chief Financial Officer from 2001 to 2007. In 1983, Mr. Kubasik began his career in public accounting at Ernst & Young, LLP, and served in a number of increasingly responsible positions until becoming a partner in 1996. He currently serves as a director of Spirit AeroSystems Holding, Inc. and will continue to serve in such capacity until their 2016 annual meeting of shareholders. Mr. Kubasik graduated magna cum laude from the University of Maryland School of Business and received his Certificate of Engineering from Carnegie Mellon University.

**CURTIS BRUNSON**

**Executive Vice President of Corporate Strategy and Development**

**Principal Occupation And Other Information**

Mr. Brunson became an Executive Vice President in February 2009 and is responsible for leading the execution of L-3's business strategy, including customer relationships, technical development and business development. Prior to that, he was a Senior Vice President. Mr. Brunson began his career in 1972 with Sperry Systems Management Division, prior to its merger into Unisys

**Age 68**

Government Services. At Unisys for over 20 years, he held several management positions of increasing responsibility. When Loral acquired Unisys Communication Systems in Salt Lake City, he was General Manager. That division became part of L-3 during L-3's formation in 1997, with Mr. Brunson becoming President at that time. Mr. Brunson holds a Bachelor of Science degree in Computer Science from the New York Institute of Technology and a Master's of Science degree in Computer Science from Polytechnic Institute of New York University.

**RALPH G. D AMBROSIO**

**Senior Vice President and Chief**

**Financial Officer**

**Age 48**

**Principal Occupation And Other Information**

Mr. D Ambrosio became our Chief Financial Officer in January 2007 and a Senior Vice President in April 2010. From March 2005 to January 2007, he was Vice President Finance and Principal Accounting Officer and he continued to be our Principal Accounting Officer until April 2008. He became Controller in August 2000 and a Vice President in July 2001 and was Vice President and Controller until March 2005. He joined L-3 in August 1997 and was Assistant Controller until July 2000. Prior to joining L-3, he was a senior manager at Coopers & Lybrand LLP, where he held a number of positions since 1989. Mr. D Ambrosio holds a Bachelor's degree, summa cum laude, in Business Administration from Iona College and a Master's degree, with honors, in Business Administration from the Stern School of Business at New York University.

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## EXECUTIVES AND CERTAIN OTHER OFFICERS OF THE COMPANY

**STEVEN M. POST****Senior Vice President,  
General****Counsel and Corporate  
Secretary****Age 63****Principal Occupation And Other Information**

Mr. Post became Senior Vice President, General Counsel and Corporate Secretary in May 2008. Prior to that, Mr. Post held several positions at L-3 and its predecessor companies, including, most recently, Senior Vice President and General Counsel of the Integrated Systems Group and prior to that, group counsel and associate counsel positions. Prior to joining L-3, Mr. Post was an instructor in the Contract Law department at the Judge Advocate General's School in Charlottesville, Virginia. He began his legal and military career at the Office of the Staff Judge Advocate in Fort Dix, New Jersey, as the contract and fiscal law advisor and as senior trial counsel. Following that assignment, Mr. Post served as a trial attorney in the litigation division for the Judge Advocate General at the Pentagon. Mr. Post earned his law degree with honors from Indiana University and his undergraduate degree from the University of Dayton.

**RICHARD A. CODY****Senior Vice President of  
Washington Operations****Age 65****Principal Occupation And Other Information**

General Cody (U.S. Army Ret.) joined L-3 in October 2008 and serves as a corporate Senior Vice President. Prior to joining L-3, General (Ret.) Cody served as the 31st Vice Chief of Staff, U.S. Army, a position he held from 2004 until his retirement from the U.S. Army in August 2008. With more than 36 years of service, General (Ret.) Cody has served in command and staff positions throughout the Army in the U.S. and overseas. He has also received major military awards and decorations, including the Defense Distinguished Service Medal and the Distinguished Flying Cross. A graduate of the U.S. Military Academy, General (Ret.) Cody is also a Master Aviator with more than 5,000 hours of flight time and was inducted into the Army Aviation Hall of Fame in 2009.

**DAN AZMON****Vice President, Controller  
and Principal Accounting  
Officer****Principal Occupation And Other Information**

Mr. Azmon has been our Principal Accounting Officer since April 2008 and our Controller since January 2005. Mr. Azmon joined L-3 in October 2000 and was

Age 52

our Assistant Controller until December 2004. Prior to joining L-3, Mr. Azmon held a number of financial management and financial reporting positions at ASARCO Incorporated and Salomon Brothers, Inc., and was a manager in the audit practice at Coopers & Lybrand LLP. He holds a Master of Business Administration degree from St. John's University in accounting and a Bachelor of Business Administration degree in finance from Hofstra University. Mr. Azmon is also a certified public accountant.

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## EXECUTIVES AND CERTAIN OTHER OFFICERS OF THE COMPANY

**STEVE KANTOR**

**Senior Vice President and  
President of Electronic  
Systems**

**Age 71**

**Principal Occupation And Other Information**

Mr. Kantor has been our Senior Vice President and President of Electronic Systems since August 2012. Prior to that, he was Senior Vice President and President of L-3 Services Group from June 2010 to August 2012 and, prior to that, from 2005 until 2010, Mr. Kantor was President of L-3's Power & Controls Systems Group which was later renamed Marine & Power Systems Group. Mr. Kantor joined L-3 in 2003 and has over 35 years of experience in the defense electronics industry, serving the U.S. Department of Defense, prime contractors and original equipment manufacturers, and foreign allies. Previously, Mr. Kantor served as president of BAE Systems' Reconnaissance and Surveillance Systems, a position he held since 1998. Prior to that, Mr. Kantor held various executive positions at Lockheed Martin, Loral and United Technologies. Mr. Kantor holds a Bachelor of Science degree in electrical engineering from the New York Institute of Technology.

**JOHN S. MEGA**

**Senior Vice President and  
President of Communication  
Systems**

**Age 63**

**Principal Occupation And Other Information**

Mr. Mega has been our Senior Vice President and President of Communication Systems since its formation in March 2014. Prior to that, Mr. Mega was President of the Microwave Group since he joined L-3 in 1997. Having started his career at Raytheon and held executive positions at Loral, Lockheed Martin and, since its inception, L-3 Communications, Mr. Mega has worked his entire career in the defense electronics industry. He received his Bachelor of Science degree, magna cum laude, from Boston College and is a member of American Mensa.

**MARK VON SCHWARZ**

**Senior Vice President and  
President of Aerospace  
Systems**

**Principal Occupation And Other Information**

Mr. Von Schwarz was appointed to Senior Vice President and President of Aerospace Systems in June 2015. Prior to that, he was Sector President for Intelligence, Reconnaissance and Surveillance (ISR) and Aircraft Systems for Aerospace Systems, from 2012 to 2015, and President of L-3 Mission



Age 56

Integration, from 2008 to 2015. Before serving as President of L-3 Mission Integration, Mr. Von Schwarz served as President of L-3 ComCept, from 2003 to 2008, and Chief of Operations, from 2001 to 2003. Prior to joining L-3, Mr. Von Schwarz served as Vice President of Engineering for Raytheon's Aircraft Integration Systems. Mr. Von Schwarz also served as an Electronic Warfare Specialist in the Army Security Agency. Mr. Von Schwarz holds a Bachelor of Science degree with Academic Distinction in Physics and Mathematics from Texas A&M University-Commerce and graduated with honors from the U.S. Army Intelligence Schools.

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## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

Based on information available to us as of March 7, 2016, the Record Date, we know of no person who beneficially owned more than five percent of the Common Stock, except as set forth below.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
ClearBridge Investments, LLC 620 8th Avenue New York, NY 10018 <sup>(1)</sup>	6,604,853 <sup>(1)</sup>	8.4% <sup>(1)</sup>
The Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, PA 19355 <sup>(2)</sup>	6,565,250 <sup>(2)</sup>	8.4% <sup>(2)</sup>
Putnam Investments, LLC One Post Office Square Boston, MA 02109 <sup>(3)</sup>	6,266,113 <sup>(3)</sup>	8.0% <sup>(3)</sup>
BlackRock, Inc. 55 East 52nd Street New York, NY 10055 <sup>(4)</sup>	4,729,280 <sup>(4)</sup>	6.0% <sup>(4)</sup>

- (1) Information shown is based on information reported by the filer on a Schedule 13G filed with the SEC on February 16, 2016 in which ClearBridge Investments, LLC reported that it has sole dispositive power over 6,604,853 shares of Common Stock and sole voting power over 6,409,675 shares of Common Stock.
- (2) Information shown is based on information reported by the filer on a Schedule 13G filed with the SEC on February 10, 2016, in which The Vanguard Group, Inc. reported that it has sole dispositive power over 6,408,151 shares of Common Stock, shared dispositive power over 157,099 shares of Common Stock and sole voting power over 149,340 shares of Common Stock. The Vanguard Group, Inc. reported that Vanguard Fiduciary Trust Company and Vanguard Investments Australia, Ltd., wholly-owned subsidiaries of The Vanguard Group, Inc., are the beneficial owners of 122,299 shares or 0.15% and 61,841 shares or 0.07%, respectively, of the Common Stock outstanding as a result of its serving as investment manager of collective trust accounts.
- (3) Information shown is based on information reported by the filer on a Schedule 13G filed with the SEC on February 16, 2016 in which Putnam Investments, LLC reported that it has sole dispositive power over 6,266,113 shares of Common Stock and sole voting power over 296,195 shares of Common Stock. Putnam Investments, LLC reported that Putnam Investment Management, LLC and The Putnam Advisory Company, LLC,

wholly-owned subsidiaries of Putnam Investments, LLC, are the beneficial owners of 6,028,733 shares or 7.7% and 237,380 shares or 0.3%, respectively, of the Common Stock outstanding as a result of its serving as investment manager of collective trust funds.

- (4) Information shown is based on information reported by the filer on a Schedule 13G filed with the SEC on January 26, 2016 in which BlackRock, Inc. reported that it has sole dispositive power over 4,729,280 shares of Common Stock and sole voting power over 4,086,845 shares of Common Stock.

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## SECURITY OWNERSHIP OF MANAGEMENT

**SECURITY OWNERSHIP OF MANAGEMENT**

As of March 7, 2016, the Record Date, there were 77,522,193 shares of our Common Stock outstanding. The following table shows the amount of Common Stock beneficially owned (unless otherwise indicated) by our named executive officers, our directors, and by all of our current executive officers and directors as a group.

Except as otherwise indicated, all information listed below is as of March 7, 2016.

<b>Name of Beneficial Owner</b>	<b>Common Stock Beneficially Owned Directly or Indirectly<sup>(1)</sup></b>	<b>Common Stock Acquirable Within 60 Days<sup>(2)</sup></b>	<b>Total Common Stock Beneficially Owned</b>	<b>Percentage of Shares of Common Stock Outstanding<sup>(3)</sup></b>
<b>Directors and Named Executive Officers:</b>				
Michael T. Strianese	85,190	1,391,253	1,476,443	1.9%
Ralph G. D. Ambrosio	30,718	236,706	267,424	*
Curtis Brunson	65,319	100,541	165,860	*
Steve Kantor	26,771	39,590	66,361	*
John S. Mega	12,787	28,960	41,747	*
Claude R. Canizares	3,850	16,322	20,172	*
Thomas A. Corcoran	1,614	18,931	20,545	*
Ann E. Dunwoody		5,388	5,388	*
Lewis Kramer	1,300	9,640	10,940	*
Robert B. Millard <sup>(4)</sup>	336,148	21,473	357,621	*
Lloyd W. Newton		4,876	4,876	*
Vincent Pagano, Jr.		4,259	4,259	*
H. Hugh Shelton		7,136	7,136	*
Arthur L. Simon	3,600	10,009	13,609	*
<b>Directors and Executive Officers as a Group (19 persons)</b>	<b>587,904</b>	<b>1,974,274</b>	<b>2,562,178</b>	<b>3.3%</b>

- (1) The number of shares shown includes shares that are individually or jointly owned and over which the individual has either sole or shared investment or voting authority. The shares of our Common Stock directly owned include the number of shares allocated to the accounts of executive officers under our savings plan as follows: Mr. Strianese, 3,477 shares; Mr. D. Ambrosio, 2,560 shares; Mr. Brunson, 4,885 shares; Mr. Kantor, 1,203 shares; Mr. Mega, 729 shares; and 17,749 shares held by the executive officers as a group.

- (2) Shares that are deemed to be beneficially owned by the individual either by virtue of the individual's right to acquire the shares upon the exercise of outstanding stock options within 60 days from March 7, 2016 and, in the case of non-employee directors, by virtue of the fact that shares issuable upon termination of board service under outstanding restricted stock unit awards have vested or will vest within 60 days of March 7, 2016.
- (3) In computing the percentage ownership of any person, the amount of shares outstanding is deemed to include the amount of shares beneficially owned by such person (and only such person) by reason of the acquisition rights described above. As a result, the percentage of outstanding shares of any person as shown in this table does not necessarily reflect the person's actual ownership or voting power with respect to the number of shares of Common Stock actually outstanding at March 7, 2016.
- (4) Includes 96,770 shares owned by a charitable foundation of which Mr. Millard and his wife are the sole trustees, and as to which Mr. Millard disclaims beneficial ownership.
- \* Share ownership does not exceed one percent, including stock options exercisable within 60 days of March 7, 2016 and, in the case of non-employee directors, shares issuable upon termination of board service under outstanding restricted stock units that have vested or will vest within 60 days of March 7, 2016.

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COMPENSATION DISCUSSION AND ANALYSIS

COMPENSATION DISCUSSION AND ANALYSIS

The Compensation Discussion and Analysis describes L-3's executive compensation program related to the year ended December 31, 2015 (our 2015 fiscal year). This section details the compensation framework applied by the Compensation Committee of our Board of Directors (the Committee) in determining the pay levels and programs available to our named executive officers for whom compensation is disclosed in the compensation tables included in the Tabular Executive Compensation Disclosure section of this proxy statement beginning on page 68. Our named executive officers for the 2015 fiscal year are:

- i *Michael T. Strianese*, Chairman and Chief Executive Officer
- i *Ralph G. D. Ambrosio*, Senior Vice President and Chief Financial Officer
- i *Curtis Brunson*, Executive Vice President of Corporate Strategy and Development
- i *Steve Kantor*, Senior Vice President and President of Electronic Systems Group
- i *John S. Mega*, Senior Vice President and President of Communication Systems Group

**COMPANY BACKGROUND, 2015 OPERATING ENVIRONMENT AND 2015 PERFORMANCE RESULTS**

*Company Background.* L-3 is a prime contractor in Intelligence, Surveillance and Reconnaissance (ISR) systems, aircraft sustainment (including modifications, logistics and maintenance), simulation and training, night vision and image intensification equipment, and security and detection systems. L-3 is also a leading provider of a broad range of communication and electronic systems and products used on military and commercial platforms. Approximately 67% of our consolidated net sales for 2015 were made to the U.S. Department of Defense (the DoD). Accordingly, our sales, results of operations and cash flows are highly correlated to DoD budget and spending levels. Additionally, most of our businesses are short-cycle in nature, with programs or contracts that have performance periods of a year or less, and, consequently, changes in business trends rapidly affect our sales volume, results of operations and cash flows.

*2015 Operating Environment.* For the year ended December 31, 2015, L-3 continued to face a challenging business environment. Our performance in 2015 was influenced by the following factors:

i

The total DoD budget for the U.S. Government fiscal year ended September 30, 2015 decreased by 4% from the prior fiscal year.

- i The continuation of the DoD's better buying power initiatives, which have resulted in increased competition and contract turnover, and lower profit margins, especially in our national security solutions segment and the logistics solutions sector of our aerospace systems segment. We sold national security solutions in 2016 as described below.

- i The continuation of the U.S. military drawdown in Afghanistan.

*2015 Performance Results.* L-3's key performance results for 2015 were as follows:

- i Our electronic systems and communication systems segments achieved solid operational and financial performance that exceeded their segment plans. However, our overall performance was adversely affected by losses on Head-of-State aircraft modification contracts in our aerospace systems segment, and sales and margin declines in our national security solutions and logistics solutions businesses. Accordingly, our diluted earnings per share (EPS) and free cash flow (FCF) performance fell below our annual incentive plan targets by 5% and 3%, respectively, and we further incurred substantial non-cash goodwill impairment charges.
- i We undertook significant strategic actions to reshape our business portfolio for future success. In December 2015, we agreed to sell our national securities solutions segment for approximately \$550 million, and completed the sale in February 2016. We also completed three acquisitions and four divestitures in 2015, including the sale of Marine Systems International for approximately \$295 million. We believe these actions sharpen our focus on L-3's core businesses, improve our competitive position, and strengthen our ability to achieve future sales growth and margin expansion.

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- i We repurchased \$740 million of our Common Stock and paid dividends of \$214 million following our 11<sup>th</sup> consecutive annual dividend increase, returning over \$950 million of cash to our shareholders in 2015. We also repaid approximately \$300 million of our outstanding debt.
- i We strengthened the Company's senior executive management team by appointing Christopher E. Kubasik to the new position of President and Chief Operating Officer, and Mark Von Schwarz as President of our aerospace systems segment.
- i We remediated the Company's material weaknesses in its internal controls over financial reporting, which were identified in 2014 following an internal review of financial reporting matters at our aerospace systems segment discussed in last year's proxy statement.
- i Our total shareholder return (TSR) for the three years ended December 31, 2015 was 67%, which fell below the minimum TSR-based performance goal relative to our peer companies under our long-term incentive plan, but compares favorably to the 53% TSR of the S&P 500 Index for this period.

**COMPENSATION PHILOSOPHY, 2015 TARGET PAY AND 2015 INCENTIVE PLAN PAYOUTS**

*Compensation Philosophy.* Our compensation philosophy supports a pay-for-performance culture. We target base salaries and annual and long-term incentive opportunities to approximate market median compensation levels, subject to adjustments based on experience, performance, the other individual factors as described in Use of Market Data and Competitive Compensation Positioning beginning on page 52 and as otherwise appropriate. The majority of each executive's target pay is in the form of incentive compensation, which is subject to future performance to have any realizable value. See the information in Mix of Pay on page 51.

*2015 Target Pay.* The table below details each named executive officer's 2015 base salary, target annual incentive opportunity (target bonus) and grant date target value of long-term incentive awards (collectively, target pay), and changes in target pay relative to 2014 levels.

	Salary		Target Bonus as % of Salary	Target Value of Long-Term Incentives		Target Pay	
	(\$)	(% Change)	(%) (Change)	(\$)	(% Change)	(\$)	(% Change)
Michael T. Strianese	1,390,000	3.0%	165%	10,000,000		13,683,500	1%
Ralph G. D. Ambrosio	695,000		90%	2,500,000	-7%	3,820,500	-5%



Curtis Brunson	670,000	3.1%	90%	2,700,000	3,973,000	1%
Steve Kantor	692,000	3.0%	100%	1,650,000	3,034,000	1%
John S. Mega	541,000	3.0%	100%	900,000	1,982,000	2%

For 2015, the Committee made no increases to the target pay of our named executive officers except for ordinary course increases in base salary. With respect to Mr. D Ambrosio, the Committee made no change to his base salary, and reduced the target value of his long-term incentive awards by 7%, based on its belief that it was appropriate to take the results of the 2014 internal review discussed above into account when setting his 2015 target pay levels in light of his general responsibilities as the Company's Chief Financial Officer. Following these pay adjustments, the target pay for each of our named executive officers in 2015 was within a competitive range that approximates 85% to 115% of market median. For a further discussion, see Use of Market Data and Competitive Compensation Positioning beginning on page 52.

*2015 Incentive Plan Payouts.* Payouts under our annual incentive plan and our long-term incentive plan performance awards are subject to the achievement of pre-established targets.

With respect to our annual incentive plan, our overall 2015 corporate performance was below plan targets, which are based on consolidated EPS and FCF, while performance at our electronic systems and communication systems segments exceeded their respective targets under the annual incentive plan, which are based on segment operating income and FCF. Accordingly, calculated payouts under our annual incentive plan were below target for our corporate named executive officers (Messrs. Strianese, D Ambrosio and Brunson), but above target for our group named executive officers (Messrs. Kantor and Mega)

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## COMPENSATION DISCUSSION AND ANALYSIS

who serve as the presidents of these segments. Notwithstanding the formula-based calculation of these payouts under our annual incentive plan, after considering all aspects of the Company's financial performance for 2015 including the non-cash goodwill impairment charges, management recommended and the Committee agreed, that the calculated payouts for the corporate named executive officers be reduced by 50%, and that the corporate performance rating used in the calculation of payouts to the group named executive offices be reduced by 50%. For a further discussion, see Elements of 2015 Target Pay Annual Incentives beginning on page 54.

For our long-term performance awards that vested on December 31, 2015, our three-year performance was below target for EPS, resulting in a 54.84% payout for this measure, and was below the minimum performance requirement for relative TSR, resulting in no payout for this measure. Based on these performance award achievements, our named executive officers received performance award payouts that averaged 27% of their target awards for these performance measures. For a further discussion, see Payment of Performance Awards for the 2013-2015 Award Cycle beginning on page 63.

**2015 SHAREHOLDER ADVISORY VOTE ON EXECUTIVE COMPENSATION ( SAY-ON-PAY )**

At our 2015 annual shareholders meeting, more than 92% of the votes cast on our Say-On-Pay proposal were voted in favor of the compensation paid to our named executive officers for 2014. We believe that this strong level of shareholder support demonstrates, among other things, the effectiveness of the substantive changes made to our compensation program over the past several years in response to shareholder feedback. The Committee considers the outcome of Say-On-Pay votes and other shareholder input in making decisions regarding the executive compensation program.

**SOUND PAY PRACTICES**

The Committee has adopted a broad range of program changes in response to shareholder feedback that began in connection with our first Say-On-Pay vote in 2011. As a result of these changes and other actions taken by the Committee, the Committee believes L-3's executive compensation program reinforces its pay-for-performance culture and includes corporate governance practices that are considered by investors to reflect market best practices. The table below highlights key features of our executive compensation program.

**Executive Compensation Program Features****Executive Compensation Program Includes**

Emphasis on long-term, performance-based compensation and meaningful stock ownership guidelines to align executive and shareholder interests  
 Transparent, formulaic incentive plans designed to promote short- and long-term business success  
 Performance conditions on the Chief Executive Officer's stock options  
 Clawback policy that applies to all incentive compensation, including equity-based awards

	Modest perquisites consistent with competitive practices
	Double trigger provisions for severance payable in the event of a change in control
	Annual compensation risk assessment to ensure program does not encourage excessive risk-taking
	Tally sheet analysis to better understand current and accumulated compensation and benefits
<b>Executive Compensation</b>	Employment agreements
<b>Program Does Not Include or Prohibits</b>	Excise tax gross-ups on severance/change in control payments
	Repricing of stock options or other equity-based awards without shareholder approval
	Pension plan/SERP credit for years not worked with L-3 or its predecessor companies
	Excessive severance or change in control provisions
	Payment of dividends on stock options, or on other equity-based awards prior to vesting
	Hedging or pledging of L-3 stock by executives, employees and non-employee directors

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COMPENSATION DISCUSSION AND ANALYSIS

**PROGRAM OVERVIEW**

The table below outlines the principal elements of our executive compensation program. Detailed descriptions of each element of compensation and discussion of how the Committee determined compensation levels for 2015 can be found in the section Elements of 2015 Target Pay beginning on page 53.

**DETERMINING EXECUTIVE COMPENSATION**

*Role of the Compensation Committee.* L-3's executive compensation program is administered by the Committee. The Committee is ultimately responsible for the review and approval of compensation for L-3's Chief Executive Officer and all executives who directly report to him, including the other named executive officers. Key areas of responsibility for the Committee are described in The Board of Directors and Certain Governance Matters Committees of the Board of Directors beginning on page 37.

*Role of Management and the Chief Executive Officer.* The Company's human resources, finance and legal departments assist the Committee in the design and development of competitive compensation programs by providing data and analyses to the Committee and FW Cook, the Committee's independent compensation consultant, in order to ensure that L-3's programs and incentives align with and support the Company's business strategy. Management also recommends incentive plan metrics, performance targets and other plan objectives to be achieved, based on expected Company performance and subject to Committee approval.

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## COMPENSATION DISCUSSION AND ANALYSIS

On an annual basis, the Chief Executive Officer reviews the performance of those executives who report directly to him, including the other named executive officers, relative to their individual goals and Company performance and submits recommendations to the Committee for proposed base salary adjustments, target bonuses and personal ratings, and grant date target values for long-term incentive awards. The Chief Executive Officer also provides the Committee with an annual assessment of his own performance, but otherwise has no role in determining his own compensation. No other executive officer participates in the setting of compensation for himself or any other executive officer.

*Role of Compensation Consultants.* The Committee has the sole authority to select, retain, terminate and approve the fees payable to outside consultants to provide it with advice on various aspects of executive compensation design and delivery. The Committee retained FW Cook to advise the Committee on executive and non-employee director compensation generally. For a detailed description of FW Cook's activities for the Committee, see "The Board of Directors and Certain Governance Matters – Compensation Committee Use of Consultants" on page 40.

**MIX OF PAY**

The Committee believes that L-3's pay mix strongly supports the Company's pay-for-performance culture. In 2015, 68% of the Chief Executive Officer's 2015 target pay was "at risk" and subject to future performance to have any realizable value.

Base salary and restricted stock units (RSUs) are the only elements of 2015 target pay that are not contingent on future performance to have value ("fixed" pay). However, they both serve to attract and retain top executive talent, and the use of these pay elements is consistent with competitive market practices. As illustrated below, the mix of incentive compensation for our named executive officers is balanced to avoid the risk of emphasizing short-term gains at the expense of long-term performance. The emphasis on long-term incentives demonstrates our strong commitment to the alignment of management and shareholder interests over time.

**2015 Target Pay Mix**

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## COMPENSATION DISCUSSION AND ANALYSIS

**USE OF MARKET DATA AND COMPETITIVE COMPENSATION POSITIONING**

*Use of Market Data.* The Committee believes that the success of our Company is dependent upon its ability to continue to attract and retain high-performing executives. To ensure the comparability of our executive compensation practices and pay levels, the Committee has historically monitored executive pay at leading defense, aerospace and other industrial companies (the compensation peer group) with whom L-3 competes for business, executive talent or investor capital. The table below shows the composition of our peer group used to benchmark target pay in 2015, which is identical to the peer group used to benchmark target pay in 2014, except for the addition of Huntington Ingalls Industries as described further below.

**2015 Compensation Peer Group**

Danaher Corporation	Huntington Ingalls Industries, Inc. (added)	Parker Hannifin Corporation
Eaton Corporation	Leidos Holdings, Inc.	Raytheon Company
General Dynamics Corporation	Lockheed Martin Corporation	Rockwell Collins, Inc.
Harris Corporation	Northrop Grumman Corporation	Textron, Inc.
Honeywell International, Inc.		

The Committee evaluates each peer company on an annual basis to determine its continued suitability from a pay benchmarking perspective. The selection criteria examined include:

- i **Operational Fit:** companies in the same or similar industries with a comparable business mix and client base, and diversified global operations. Due to the limited number of pure defense companies of comparable size, the Committee believes that it is appropriate to include other companies in L-3's compensation peer group that are similar in size and compete with L-3 for executive talent or investor capital.
- i **Financial Scope:** companies of similar size as measured by annual corporate revenues. Most of the peers fall within a range of one-third to three times the size of L-3, and L-3's revenues are at or near the median of the compensation peer group. In limited circumstances, we have found it appropriate to include companies with revenues that fall both above and below this range if they are proven competitors for business, executive talent or investor capital.

In June of 2014, the Committee conducted its annual review of the suitability of the peer group companies, and determined to add Huntington Ingalls Industries to the peer group for use in benchmarking target pay levels beginning in 2015. Huntington Ingalls is a U.S.-based defense contractor that competes with L-3 for executive talent and investor capital, and has revenues that are smaller than L-3, but within the range of at least one-third of L-3's revenues.

In reviewing competitive compensation levels, it is the Committee's practice to consider compensation peer group data for all named executive officers, and, for those named executive officers who are group presidents (Messrs. Kantor

and Mega), to also consider general industry compensation data included in third-party surveys because it believes that including a broader industry group more accurately reflects the labor market for these positions and ensures a meaningful sample size given the revenues of the groups they lead. With respect to compensation decisions made by the Committee for Mr. Kantor in 2015, the Committee considered competitive compensation levels based on the average of the compensation peer group data and survey data from the Towers Watson Executive Compensation Database General Industry survey. For Mr. Mega, the Committee only considered competitive compensation levels based on the survey data, as Mr. Mega was not a named executive officer at the time of the Committee's review. The survey data is size-adjusted by FW Cook to reflect each group's annual revenues, and is used to provide a supplemental market reference.

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## COMPENSATION DISCUSSION AND ANALYSIS

*Competitive Market Positioning.* The Committee's practice is to make pay decisions regarding the elements of compensation that compose each named executive officer's target pay (base salary, target bonus and grant date target value of long-term incentives) in February of each fiscal year. As part of its decision-making process, the Committee compares each named executive officer's target pay for the fiscal year against the market median; however, the Committee does not use market data in isolation in determining pay. Instead, competitive market data serves as one of many considerations used by the Committee in determining base salary adjustments and target pay opportunities for both annual and long-term incentives. The primary factors considered by the Committee in making its annual pay determinations is shown below.

**Target Pay Determinants**

Positioning to competitive market median	Long-term financial and individual performance	Role and responsibilities relative to benchmark
Competitive mix of fixed and at-risk pay	Tenure and experience in role	Internal pay equity
Competitive mix of cash and equity	Expected future contributions and market conditions	Prior year's compensation levels

For 2015, the target pay for each of our named executive officers was within a competitive range that approximates 85% to 115% of market median.

**ELEMENTS OF 2015 TARGET PAY****Base Salary**

Base salary serves as the foundation of an executive's compensation and is an important component in L-3's ability to attract and retain executive talent. On an individual basis, the Committee considers each executive's role and responsibilities, experience, tenure, business results and individual performance, competitive market pay levels, and internal pay equity considerations in making base salary adjustments. In 2015, the Committee increased the Chief Executive Officer's base salary by 3.0%. The Committee also approved base salary increases of 3.0% to 3.1% for Messrs. Brunson, Kantor, and Mega to maintain competitive positioning as compared to market levels. All base salary increases for 2015 were approved by the Committee on February 17, 2015 and made effective on April 1, 2015.

	2015 Salary	2014 Salary	Percent Change
	(in thousands)	(in thousands)	
Michael T. Strianese	\$ 1,390	\$ 1,350	3.0%
Ralph G. D. Ambrosio	695	695	
Curtis Brunson	670	650	3.1%



Steve Kantor	692	672	3.0%
John S. Mega	541	525	3.0%

Note: Amounts reflect annualized base salary rates in effect at the end of the fiscal years indicated.

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COMPENSATION DISCUSSION AND ANALYSIS

**Annual Incentives**

The annual incentive plan provides senior executives with the opportunity to earn annual cash incentive awards based on corporate, group and individual performance relative to pre-established internal targets.

**Award Determination under Annual Incentive Plan**

Performance criteria defined at the beginning of the performance period

Performance compared to pre-established goals

For corporate named executive officers, financial performance is based on consolidated EPS and FCF results

For group presidents, financial performance is primarily based on the operating income ( OI ) and FCF results for their respective groups, with additional consideration given to consolidated EPS and FCF

Individual performance measured based on pre-established goals and assigned specific weighting

Payouts can range from 0% to 225% of target bonus based on performance

i 0% to 200% of target bonus can be earned by the CEO, and the other named executive officers who are not group presidents

i For group presidents, up to an additional 25% of the target bonus can be earned based on achievement of organic OI growth

The Committee established the 2015 corporate and group financial targets under the annual incentive plan, as well as individual performance goals and weightings, in February 2015. The corporate financial targets were based on management's most recent consolidated internal financial plan presented to L-3's Board of Directors (the 2015 Plan ), which formed the basis for L-3's financial guidance for 2015 EPS and FCF disclosed to investors in January 2015. The individual group financial targets were based on internal group financial plans that were consistent with the 2015 Plan.

Based on L-3's actual 2015 financial performance relative to plan and the Committee's assessment of the named executive officers' individual performance for 2015, the Committee approved 2015 annual incentive payouts for the named executive officers as detailed in the steps below.

*STEP 1. Determine target bonus at beginning of fiscal year*

Annual incentive plan ( AIP ) target bonuses are set as a percent of base salary in connection with the determination of target pay for each named executive officer. The 2015 target bonus for each of the named executive officers was held

constant, as a percentage of their respective base salaries, from 2014 levels.

	<b>2015 Salary</b>	<b>2015 AIP</b>	<b>2015 AIP</b>
	<b>(in thousands)</b>	<b>Target Bonus (%)</b>	<b>Target Bonus (in thousands)</b>
Michael T. Strianese	\$ 1,390	165%	\$ 2,294
Ralph G. D. Ambrosio	695	90%	626
Curtis Brunson	670	90%	603
Steve Kantor	692	100%	692
John S. Mega	541	100%	541

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## COMPENSATION DISCUSSION AND ANALYSIS

*STEP 2. Determine the financial rating based on performance for the fiscal year*

Financial ratings are based on a weighted-average assessment of L-3's consolidated performance (or, for group presidents, both L-3's and their respective group's performance) relative to pre-established targets for key financial measures. For corporate named executive officers, our annual incentive plan is focused on L-3's consolidated EPS and FCF performance (with FCF calculated as net cash from operating activities from continuing operations, less capital expenditures, net of dispositions) because we believe that these metrics constitute two of the most important financial measures that create shareholder value. For group presidents, our plan emphasizes the respective group's OI and FCF performance because we consider them to be important financial measures that group presidents can directly influence in order to increase L-3's consolidated EPS and FCF. Our plan also takes into account L-3's consolidated EPS and FCF results in evaluating group presidents' financial ratings in order to provide a degree of alignment for group presidents with L-3's overall performance. The table below provides the relative weightings of these performance measures that are utilized in evaluating each named executive officer's financial rating. We believe that the weightings appropriately reflect the importance of these measures to our overall financial success.

Corporate Executives		Group Presidents			Final Effective
Financial Measure	Weight	Financial Measure	Weight (by measure)	Weight (corporate/group)	Weighting
Consolidated EPS	80%	Consolidated EPS	80%		20%
				25%	
Consolidated FCF	20%	Consolidated FCF	20%	}	5%
		Group OI	80%	}	60%
				75%	
		Group FCF	20%		15%
Total	100%	Total			100%

*Pay-for-Performance:* A financial rating of 100% indicates weighted-average performance at target levels (that is, at plan). Performance that exceeds plan by 15% (or by 25% for group presidents) results in a maximum financial rating of 200%. If performance is below plan by 15% (or by 25% for group presidents), this results in a threshold financial rating of 50%. If performance is below threshold, this results in a financial rating of zero. Performance is interpolated between these points. Based on the increased range of volatility for group-level financial results as compared to L-3's

consolidated financial results, we believe it is appropriate to consider a wider range of performance at the group level.

<b>Performance Level</b>	<b>Corporate Executives</b>		<b>Group Presidents</b>		<b>Financial Rating</b>
	<b>(% of Plan Performance)</b>		<b>(% of Plan Performance)</b>		
Maximum	<sup>3</sup>	115%	<sup>3</sup>	125%	200%
Target		100%		100%	100%
Threshold		85%		75%	50%
Below Threshold	<	85%	<	75%	0%

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## COMPENSATION DISCUSSION AND ANALYSIS

For purposes of calculating actual financial results under the annual incentive plan, the Committee excludes the effects of pre-established categories of items that it believes are not reflective of operating performance. These categories have not been modified since 2012. Accordingly, in February 2015, the Committee determined to exclude the following pre-established categories of adjustments in calculating L-3's consolidated EPS and FCF under the plan for 2015, as applicable:

<b>L-3 Consolidated EPS Adjustments</b>	<b>L-3 Consolidated FCF Adjustments</b>
Impairment losses on goodwill and other intangible assets, or on debt or equity investments	Discretionary contributions to pension plans that exceed the amount forecasted in L-3's plan established in February of the fiscal year
Gains or losses on retirement of debt, or on asset dispositions	Premiums and other payments in excess of principal and interest associated with the retirement of debt, including income taxes incurred in connection with the debt retirement
Extraordinary gains and losses under U.S. generally accepted accounting principles ( GAAP )	Tax payments or benefits associated with gains or losses on business divestitures in determining net cash from operating activities
Non-cash gains or losses on discontinued operations	
New accounting standards required to be adopted under GAAP or SEC rules	
Gains or losses on litigation matters at or exceeding \$5 million individually or \$25 million in the aggregate	
Gains or losses related to the resolution of income tax contingencies for business acquisitions which existed at the date of acquisition	

The group OI and FCF performance targets are subject to adjustment based on acquisitions or dispositions that occur during the fiscal year, or to account for internal realignments that result in business units being transferred from one group to another group during the fiscal year. In addition, the group OI and FCF results reflect adjustments to account for the impact of non-operational items that were not anticipated at the time the group performance targets were established.

In connection with its evaluation of L-3's performance under the annual incentive plan, the Committee also reviewed the impact of the Company's share repurchase program on its actual consolidated EPS results for 2015, and concluded that no further adjustment to the Company's actual EPS results for 2015 was warranted because the Company's actual weighted average diluted shares outstanding for 2015 was materially consistent with the 2015 Plan assumptions.

Each named executive officer's 2015 financial rating, based on actual performance relative to their performance targets, is set forth in the following table.

### 2015 Financial Performance Achieved Relative to Plan

	Corporate Level Financial Performance						Group Level Financial Performance						Financial Rating	
	Earnings Per Share			Free Cash Flow (in millions)			Operating Income (in millions)			Free Cash Flow (in millions)				
	Actual <sup>(1)</sup>	Plan	Weight	Actual <sup>(1)</sup>	Plan	Weight	Actual <sup>(1)</sup>	Plan	Weight	Actual <sup>(1)</sup>	Plan	Weight		
Michael T. Strianese	\$ 7.09	\$ 7.50	80%	\$ 899	\$ 925	20%								84%
Ralph G. D. Ambrosio	\$ 7.09	\$ 7.50	80%	\$ 899	\$ 925	20%								84%
Curtis Brunson	\$ 7.09	\$ 7.50	80%	\$ 899	\$ 925	20%								84%
Steve Kantor	\$ 7.09	\$ 7.50	20%	\$ 899	\$ 925	5%	\$ 535	\$ 525	60%	\$ 503	\$ 455	15%		107%
John S. Mega	\$ 7.09	\$ 7.50	20%	\$ 899	\$ 925	5%	\$ 201	\$ 178	60%	\$ 300	\$ 225	15%		147%

(1) Actual results reflect the effects of the pre-established categories of adjustments described above.

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## COMPENSATION DISCUSSION AND ANALYSIS

*STEP 3. Determine personal rating based on individual performance*

Personal ratings are based on the assessment of an executive's performance relative to pre-determined individual goals. The personal rating can range from 0% to 200% of target. The Chief Executive Officer provides individual performance assessments and recommends personal ratings for the Committee's consideration for all executives who report directly to him, including the other named executive officers, based on the factors in the table below. The Chief Executive Officer also submits a self-assessment addressing factors listed for him, but makes no recommendation as to his own personal rating. The Committee determines the Chief Executive Officer's performance rating based on the factors indicated below and following input from the other independent members of the Board of Directors.

<b>Michael T. Strianese</b> <b>(Chairman and Chief Executive Officer)</b>	<b>Ralph G. D. Ambrosio</b> <b>(Senior Vice President and Chief Financial Officer)</b>	<b>Curtis Brunson</b> <b>(Executive Vice President of Corporate Strategy and Development)</b>	<b>Steve Kantor</b> <b>(Senior Vice President and President of Electronic Systems Group)</b>	<b>John S. Mega</b> <b>(Senior Vice President and President of Communication Systems Group)</b>
Company financial performance	Timely and accurate financial reporting and forecasting	Business development	Group financial performance	Group financial performance
Market positioning	Management of capital structure, liquidity and capital allocation	Strategic customer relationships	Winning important re-competitions and new business contracts	Winning important re-competitions and new business contracts
Optimizing operations		Guidance of strategic growth pursuits	Market share gains	Market share gains
Internal collaboration	Internal management reporting and external financial reporting	Development of products and services in international markets	Program performance	Program performance
Leadership	Internal controls over financial reporting		Cost savings initiatives	Cost savings initiatives



Enterprise risk management	Investor relations	Research and development	International expansion	International expansion
Corporate governance	Enterprise risk management	Customer service	Internal collaboration	Internal collaboration
Strategic planning	Mergers, acquisitions and divestitures	Leadership in engineering and technology initiatives	Developing adjacent markets	Developing adjacent markets
Succession planning	Tax planning and strategies		Research and development	Research and development
Internal/external communications				
Board relations				

*STEP 4. Determine total rating*

Each executive's total rating determines the potential payout under the annual incentive plan and is equal to the weight-adjusted sum of the financial and individual ratings.

	<b>Corporate Executives (weight)</b>	<b>Group Presidents (weight)</b>
Financial Rating	80%	67%
Personal Rating	<u>20%</u>	<u>33%</u>
Total Rating	100%	100%

<b>Annual Incentive Plan</b>	
<b>Payout Formula</b>	Total Rating = [Financial Rating x Weight] + [Personal Rating x Weight] Potential Annual Incentive Plan Payout (\$) = Target Bonus (\$) x Total Rating

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## COMPENSATION DISCUSSION AND ANALYSIS

*STEP 5. For Group Presidents, determine organic growth adjustment*

For Group Presidents, the final annual incentive payout may be adjusted upwards by up to an additional 25% of their target bonus under the formulaic plan design. This performance modifier is intended to incentivize Group Presidents to drive organic growth in their respective groups as measured by OI. Organic OI growth of 5.0% or above triggers the maximum adjustment of 25% of target bonus. Payouts for organic growth between zero and the maximum level are adjusted based on the graduated scale in the table to the right, with performance interpolated between these points.

<b>Organic Operating Income Growth</b>	<b>Growth Adjustment (% of Target Bonus)</b>
0.0%	0.0%
0.6%	1.5%
1.3%	3.0%
1.9%	6.0%
2.5%	9.0%
3.1%	13.0%
3.8%	17.0%
4.4%	21.0%
5.0% or above	25.0%

For 2015, Mr. Mega's group, Communication Systems, achieved organic OI growth of 12.3%. Accordingly, Mr. Mega received 25.0% of his 2015 target bonus as part of his annual incentive award payout. Mr. Kantor's group did not achieve organic OI growth for 2015, and, accordingly, he did not receive an OI growth-based adjustment to his annual incentive award payout.

*STEP 6. Discretionary Adjustment*

Notwithstanding the achievement of any of the aforementioned performance criteria, the Committee retains the ability to apply negative discretion to reduce awards that would otherwise be considered earned based on the formulaic plan design. For 2015, management believed that the corporate financial rating calculated under the annual incentive plan of 84%, while below target, did not sufficiently reflect all aspects of the Company's performance for 2015, including non-cash goodwill impairment charges. While non-cash goodwill impairment charges are excluded from performance calculations under the annual incentive plan, management recognized that the amount of such charges incurred for 2015 was substantial, including with respect to our continuing operations and as compared to prior years. Therefore, prior to the Committee's determination of the awards to be approved under the annual incentive plan for the named executive officers, Mr. Strianese recommended and the Committee agreed, that payouts for the corporate named executive officers be reduced by 50%, and that the corporate rating used in the calculation of payouts to the group

named executive officers be reduced by 50%.

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COMPENSATION DISCUSSION AND ANALYSIS

*CEO ANNUAL INCENTIVE AWARD CALCULATION:* Detailed below are the calculation steps used to determine the Chief Executive Officer's 2015 annual incentive plan payout.

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## COMPENSATION DISCUSSION AND ANALYSIS

*2015 Annual Incentive Plan Payouts.* The table below lists the final 2015 annual incentive plan payments to the named executive officers that were approved by the Committee. These payments represent substantial reductions from the amounts earned by the named executive officers under the annual incentive plan for 2014. For a further discussion, see Note 4 to the Summary Compensation Table beginning on page 69.

	2015 Annual Incentive Plan Payouts					
	2015 AIP Target Step 1	Total Rating Steps 2-4	Organic Growth Adjustment Step 5	Formulaic	Discretionary	2015 AIP
				AIP Payout Subtotal	Adjustment Step 6	Payout Total
Michael T. Strianese	\$ 2,293,500	83%	N/A	\$ 1,903,605	\$ (951,805)	\$ 951,800
Ralph G. D. Ambrosio	625,500	83%	N/A	519,165	(259,165)	260,000
Curtis Brunson	603,000	83%	N/A	500,490	(250,490)	250,000
Steve Kantor	692,000	134%	0.0%	927,280	(47,280)	880,000
John S. Mega	541,000	140%	25.0%	892,650	(37,650)	855,000

**Long-Term Incentives**

Long-term incentives are intended to align the interests of the named executive officers with shareholders by linking a meaningful portion of executive pay to shareholder value creation over a multi-year period. Long-term incentives are also provided to drive the performance of our long-term business strategy, engage and retain our key executives, and facilitate ownership of our Common Stock. The table below details the long-term incentive vehicles granted in 2015, and their respective weights as a percentage of the total grant date target value of the long-term incentives awarded. The forms and weightings of the long-term incentives awarded in 2015 are substantially identical to those awarded in 2014.

Long-term Incentive	Weight	Rationale	Performance Criteria & Other Features
Stock Options	30%	Stock price appreciation Stock ownership and capital accumulation	Ultimate value dependent on stock price appreciation  Vests in equal annual increments over three years and

			has a 10-year term
			Exercise price equal to the closing price of our Common Stock on the date of grant
			Grants to the Chief Executive Officer include additional performance vesting conditions as described below under Stock Options
RSUs	30%	Retention	Ultimate value dependent on stock price
		Stock ownership and capital accumulation	
			Vest at the end of three years
Performance Awards	40%	Stock price appreciation	50%
		Stock ownership and capital accumulation for performance units	Performance Cash: vests at the end of a three-year period based on TSR relative to performance peer group and is paid in cash
		Motivates achievement of long-term business strategy	
			50%
			Performance Units: vest at the end of a three-year period based on EPS performance and are paid in shares of Common Stock

The actual percentages of the awards that vest range from 0 to 200% of target, based on performance

For purposes of allocating the total grant date target value of long-term incentives approved by the Committee in accordance with the weightings listed above, stock options are valued based on their grant date fair value for financial reporting purposes, RSUs are valued based on the total number of units awarded multiplied by the closing price of our Common Stock on the grant date, performance cash is valued based on the target dollar value at the time the award is made, and performance units are valued based on the target number of units awarded multiplied by the closing price of our Common Stock on the grant date.

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## COMPENSATION DISCUSSION AND ANALYSIS

*2015 Grant Date Target Values for Long-Term Incentive Awards.* In connection with determining the total grant date target value of the long-term incentives awarded to each named executive officer, the Committee primarily considered the following factors:

- ; Competitive market median pay levels in the context of target pay as described in the section Use of Market Data and Competitive Compensation Positioning beginning on page 52;
- ; The grant date target value of the prior year's long-term incentive awards;
- ; The long-term performance of the named executive officer;
- ; The scope of responsibility of the named executive officer relative to the other participants in the long-term incentive program; and
- ; In the case of the named executive officers other than Mr. Strianese, the long-term incentive award recommendation of Mr. Strianese.
- ; In the case of Mr. D. Ambrosio, the 2014 internal review discussed above.

	<b>2015 Grant Date Target Value</b> (in thousands)	<b>2014 Grant Date Target Value</b> (in thousands)	<b>Percent Change</b>
Michael T. Strianese	\$ 10,000	\$ 10,000	
Ralph G. D. Ambrosio	2,500	2,700	-7%
Curtis Brunson	2,700	2,700	
Steve Kantor	1,650	1,650	
John S. Mega	900	900	

*Stock Options.* Stock options are a regular component of our long-term incentive program. Stock options directly align the long-term interests of our executives with those of shareholders because they provide value only if the price of our Common Stock increases after the options are granted. Stock options are granted with an exercise price equal to the closing price of our Common Stock on the date of grant, vest in equal annual increments over a three-year period and expire ten years from the grant date.



Consistent with the efforts undertaken by the Committee since 2012 to strengthen the performance-based orientation of our executive compensation programs, the Committee continued to include performance-based vesting conditions on the stock options granted to our Chief Executive Officer in 2015. As a result,

- i 50% of these stock options would vest only if L-3's consolidated EPS for the fiscal year ended December 31, 2015 is at least \$6.38; and
- i 50% of these stock options would vest only if L-3's consolidated FCF for the fiscal year ended December 31, 2015 is at least \$786 million.

In the event that one or both of the performance conditions were not satisfied, the stock options that fail to vest as a result would be forfeited.

Consistent with the terms of last year's CEO stock option grant, the performance-based vesting requirements for EPS and FCF under the CEO stock options granted in 2015 represent a 15% reduction from the corporate financial targets for these measures for 2015 established by the Committee in February 2015 under the annual incentive plan.

For purposes of evaluating whether the performance conditions have been satisfied, L-3's consolidated EPS and FCF results for 2015 are required to be calculated on the same basis as the methodology used to determine performance for these measures under L-3's annual incentive plan. In February 2016, the Committee determined that both the EPS and FCF performance conditions of the stock options granted to Mr. Strianese in 2015 were satisfied.

*Performance Awards.* The performance awards granted by the Committee in 2015 were equally weighted between performance cash earned on the basis of relative TSR and performance units earned on the basis of cumulative EPS results, in each case for the three-year period ending December 31, 2017. The payout ultimately earned can range from zero to 200% of

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## COMPENSATION DISCUSSION AND ANALYSIS

the target amount of cash or stock, in each case based on actual performance relative to the pre-determined goals. The Committee chose relative TSR and cumulative EPS because it believes that they are aligned with shareholder value creation both directly (relative TSR) and indirectly (EPS).

**Performance Cash: Relative TSR**

(50% weighting; denominated and paid in cash)

**Performance Units: EPS**

(50% weighting; denominated and paid in stock)

<i>Level</i>	<i>Relative TSR</i>	<i>Payout*</i>
Maximum	<sup>3</sup> 75th Percentile	200%
Target	50th Percentile	100%
Threshold	25th Percentile	25%
Below Threshold	<25th Percentile	0%

<i>Level</i>	<i>EPS</i>	<i>Payout*</i>
Maximum	<sup>3</sup> \$26.06	200%
Target	\$24.24	100%
Threshold	\$22.42	50%
Below Threshold	<\$22.42	0%

\*Interim points are interpolated.

\*Interim points are interpolated.

While the Committee has elected to use EPS as a performance measure for both the annual incentive plan and the long-term performance awards, the performance requirements under these plans are designed so that the resulting payouts under the plans reflect different and important aspects of Company performance that are not duplicative. Payouts under the annual incentive plan take into account EPS performance for a single fiscal year, while payouts under the long-term performance awards require EPS performance to be sustained and measured over a three-year period. The Committee believes it is appropriate to separately reward annual and long-term EPS performance achievements because of the importance of EPS in creating shareholder value.

With respect to the terms of the TSR-based performance awards granted in 2015, the Committee made incremental changes intended to reflect prevailing market practices. The performance range was revised to be symmetrical both above and below the Target (50<sup>th</sup> percentile) performance goal. Accordingly, the Threshold and Maximum performance goals were set at the 25<sup>th</sup> and 75<sup>th</sup> percentiles, respectively. In addition, the payout for performance at Threshold was reduced to be 25% of the target amount of cash underlying the award.

*Relative Benchmark for the TSR-Based Performance Awards.* In 2015, the Committee elected to use the same benchmark used in 2014 for assessing relative TSR performance. This benchmark consists of a custom peer group (the performance peer group ) of 14 companies with a sales mix that is heavily weighted towards sales to the DoD and the defense industry, and which include the primary U.S. public company competitors for each of L-3's reporting segments. The companies included in the performance peer group at the time of grant are listed below.

**Performance Peer Group**

BAE Systems	Huntington Ingalls Industries, Inc.	Orbital ATK
CACI International Inc	Leidos Holdings, Inc.	Raytheon Company
Exelis Inc. <sup>(1)</sup>	Lockheed Martin Corporation	Rockwell Collins, Inc.
General Dynamics Corporation	ManTech International Corporation	Textron Inc.
Harris Corporation	Northrop Grumman Corporation	

(1) Exelis Inc. was removed from the peer group upon being acquired by Harris Corporation on May 29, 2015. *Targets for 2015 EPS-Based Performance Awards.* The performance targets for the 2015 EPS-based performance awards are based on a three-year forecast presented by management to the Committee in February 2015. The forecast was based on the DoD base budget enacted by Congress for the U.S. Government fiscal year ended September 30, 2015 and an expectation that Congress would provide the DoD with approximately \$15 billion per year in relief from the Budget Control Act sequester budget caps between fiscal years ended September 30, 2016 and September 30, 2018. The projected compound annual growth rate ( CAGR ) for these total DoD budgets was approximately -1.6% from the U.S. Government fiscal year ended September 30, 2014 to the U.S. Government fiscal year ended September 30, 2017.

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## COMPENSATION DISCUSSION AND ANALYSIS

Given the outlook described above, management's three-year forecast for cumulative EPS was \$24.24, which represents average annual forecasted EPS of \$8.08 (or a CAGR of approximately 4.8% from 2014 to 2017). The forecast assumed a CAGR of -0.9% for L-3's consolidated sales from 2014 to 2017 (which compares favorably to the CAGR of approximately -1.6% for the total DoD budget as described above), and average annual operating margin increases of 40 basis points. The Committee considered these assumptions to be meaningful and rigorous, and set the three-year cumulative EPS target for the 2015 EPS-based performance awards based on management's forecast of \$24.24. Consistent with the performance range for the 2014 EPS-based performance awards, the Committee set the threshold and maximum EPS performance goals under the 2015 performance unit awards based on a range of  $\pm 7.5\%$  of the target three-year goal.

For purposes of calculating actual financial results for the performance units, EPS is required to be calculated on the same basis as the methodology used to determine EPS performance under L-3's annual incentive plan.

*RSUs.* RSUs are a regular component of our long-term incentive program. The Committee believes that RSUs enhance retention of L-3's senior executives. The Committee may also make these awards to recognize increased responsibilities or special contributions, to attract new executives, to retain executives or to recognize other special circumstances. RSU grants generally have the following characteristics:

- i automatically convert into shares of our Common Stock on the vesting date;
- ii vest three years from the grant date; and
- iii accumulate cash dividend equivalents payable in a lump sum contingent upon vesting.

RSU grants to senior executives are also subject to performance-based forfeiture conditions intended to qualify the compensation paid under these awards as performance-based compensation under Section 162(m) of the Internal Revenue Code. For a further discussion, see Tax Considerations on page 65 and Note 4 to the 2015 Grants of Plan Based Awards table on page 72.

**PAYMENT OF PERFORMANCE AWARDS FOR THE 2013-2015 AWARD CYCLE**

At its February 16, 2016 meeting, the Committee reviewed and certified the results for the performance awards granted to named executive officers in 2013. Payouts under the 2013 performance awards were contingent upon L-3's EPS and relative TSR achievements over the three-year performance period ending December 31, 2015. The Company achieved cumulative EPS of \$23.07, resulting in the vesting of 54.84% of the target number of EPS-based performance units originally awarded in 2013. With respect to the performance cash awards based on relative TSR performance, L-3's TSR was below the 40th percentile threshold requirement, and as a result, no payout was made with respect to these awards. The EPS-based performance units earned were paid in shares of Common Stock.

In connection with its evaluation of L-3's actual results under the EPS-based performance units, the Committee considered the impact of the Company's share repurchase program on the Company's cumulative EPS for the three-year performance period ending December 31, 2015, and concluded that the Company's actual weighted average diluted shares outstanding for each of the three years of the performance period was materially consistent with the forecast assumptions upon which the performance goals for the awards were based.

## **EXECUTIVE BENEFITS AND PERQUISITES**

*Retirement Plans.* L-3 provides retirement benefits as part of a competitive compensation package to retain key employees. All of L-3's named executive officers other than Mr. Mega participate in the L-3 Communications Corporation Pension Plan (the "Corporate Plan"), which is a tax-qualified defined benefit plan, and in a nonqualified supplemental executive retirement plan (the "Restoration SERP"). Mr. Mega participates in The Narda Microwave Pension Plan (the "Narda Plan"), which is also a tax-qualified defined benefit plan, and the Restoration SERP. The Restoration SERP fills the gap in benefits that are not accrued under the Corporate Plan or the Narda Plan due to limits imposed by the Internal Revenue Code. In the case of Mr. Mega, the Restoration SERP also takes into consideration eligible bonuses such as payouts under our annual incentive plan (which are included as earnings under the Corporate Plan, but are not included under the Narda Plan). These tax-qualified defined benefit plans and the Restoration SERP are designed such that a named executive officer with 30 years of employment by L-3 would receive a combined annual amount of up to approximately 45% to 55% of their final average cash compensation (base salary and annual incentive payouts). See "2015 Pension Benefits" beginning on page 76 for additional details.

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**COMPENSATION DISCUSSION AND ANALYSIS**

It is the Committee's practice to periodically review the plan design and benefit levels of our retirement plans to ensure that they are consistent with the pay practices of our compensation peer group. The Committee most recently performed this review in 2014, and concluded that the benefits provided under these plans to our named executive officers were consistent with market median levels.

*Deferred Compensation Plans.* L-3 sponsors two nonqualified deferred compensation plans, the L-3 Communications Corporation Deferred Compensation Plan I and the L-3 Communications Corporation Deferred Compensation Plan II, to a select group of highly compensated executives, including our named executive officers, as a competitive practice. These plans allow for voluntary deferrals by executives, including the named executive officers, of up to 50% of base salary and 100% of annual incentive payouts into an unfunded, nonqualified account. There are no company contributions under these plans, and deferred amounts earn interest at the prime rate.

*Employment, Severance and Change in Control Arrangements.* L-3 does not have any employment agreements with its named executive officers nor do we have any severance arrangements other than in connection with a change in control. L-3's named executive officers are covered under the L-3 Change in Control Severance Plan (the "Change in Control Severance Plan"), which provides for specified severance benefits in the event of termination by the Company without cause or by the employee for good reason following a change of control. The purpose of these arrangements is to preserve morale and productivity, and encourage retention, in the face of the disruptive impact of a change in control. Severance benefits under the Change in Control Severance Plan are market competitive and do not provide tax gross-ups. See "Potential Payments Upon Change in Control or Termination of Employment" beginning on page 81 for additional details.

*Perquisites.* L-3 provides the named executive officers with modest perquisites consistent with competitive practices. In 2015, the named executive officers were eligible for an annual executive physical, supplemental life insurance and participation in an executive medical plan. We provide our Chief Executive Officer with a car and security driver, and access to L-3's fractionally-owned aircraft for occasional personal use. Our corporate aircraft policy requires that our Chief Executive Officer reimburse the Company for the incremental costs incurred in connection with his personal use of the aircraft. We also maintain a key employee relocation policy applicable to management employees generally.

**STOCK OWNERSHIP GUIDELINES AND RETENTION REQUIREMENTS**

L-3's stock ownership guidelines reflect the Committee's belief that executives should accumulate a meaningful level of ownership in Company stock to align their interests with those of our shareholders. The Chief Executive Officer is required to maintain a level of ownership that is equivalent in value to at least six times his base salary. Minimum ownership requirements for senior executives, other than the Chief Executive Officer, range from one and a half to three times base salary depending on roles and organizational levels. The Committee reviews progress towards guideline achievement annually. Each executive subject to stock ownership guidelines is required to retain 75% of net shares (after payment of fees, taxes and exercise prices, if applicable) acquired upon the vesting of stock awards or the exercise of stock options until the required multiple of base salary is met.

The stock ownership of our named executive officers as of December 31, 2015 as compared to our guideline and retention requirements is as follows:

	<b>Ownership Guideline</b>	<b>Stock Ownership</b>	<b>Stock Ownership</b>	<b>Subject to</b>
	<b>(multiple of salary)</b>	<b>(in dollars)</b>	<b>(multiple of salary)</b>	<b>Retention Ratio</b>
Michael T. Strianese	6.0	\$ 21,329,792	15.3	No
Ralph G. D. Ambrosio	3.0	5,514,459	7.9	No
Curtis Brunson	3.0	9,778,410	14.6	No
Steve Kantor	3.0	4,406,020	6.4	No
John S. Mega	3.0	2,147,551	4.0	No

Stock ownership is defined to include shares of Common Stock held outright, shares and share equivalents held in benefit plans, and unvested RSUs. Unvested performance units and unexercised stock options are not included in this calculation.

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COMPENSATION DISCUSSION AND ANALYSIS

**COMPENSATION CLAWBACK POLICY**

Under L-3's clawback policy, the Company may recoup and/or cancel any incentive-based compensation, including equity-based compensation, awarded to executives on or after the effective date of the policy (January 1, 2012) under the following circumstances:

- The award was predicated upon the achievement of financial results that were subsequently the subject of a material restatement of L-3's financial statements;
- The executive's fraud or willful misconduct was a significant contributing cause to the need for the restatement; and
- A smaller award would have been earned under the restated financial results.

Subject to the discretion and approval of the Board of Directors, the Company will, to the extent permitted by law, seek to recover the amount of incentive compensation paid or payable to the executive in excess of the amount that would have been paid based on the financial restatement.

**ANTI-HEDGING AND ANTI-PLEDGING POLICIES**

Our policies prohibit the hedging or pledging of L-3 stock by all executives, employees and non-employee directors.

**COMPENSATION RISK ASSESSMENT**

The Committee reviews and discusses with management, on at least an annual basis, management's assessment of whether risks arising from the Company's compensation policies and practices for all employees, including executive officers, are reasonably likely to have a material adverse effect on the Company. As part of the 2015 assessment performed by L-3, the following were determined on a collective basis for L-3 and its subsidiaries:

- no business unit carries a significant portion of the Company's risk profile;
- the Company's compensation policies and practices are not structured differently from one business unit to another in any material respect;
- incentive compensation expense is not a significant percentage of the Company's sales;



- i the Company's compensation programs do not vary significantly from the overall risk and reward structure of the Company;
- i the Company's long-term incentive awards are intended to align the interests of the Company's executives and key employees with those of shareholders by linking a meaningful portion of their compensation to value creation over a multi-year period (and, with respect to senior executives, by utilizing overlapping performance periods and multiple performance measures such as relative TSR and cumulative EPS) to promote sustainable, long-term performance;
- i the Company's short-term incentive awards, capped at 200% of target for corporate executives and 225% for group presidents, are based upon a variety of financial and nonfinancial performance measures, which, in the Company's view, reward performance without incentivizing inappropriate risk-taking; and
- i the Company has policies and procedures that require compensation programs adopted at the subsidiary and business unit level to be reviewed and approved by senior corporate management to, among other things, ensure that none of the Company's or its subsidiaries' compensation programs encourage inappropriate risk-taking.

The Committee has also adopted stock ownership guidelines for our senior executives, including our named executive officers, which are intended to align their long-term interests with those of our shareholders and to encourage a long-term focus in managing the Company. For a further discussion, see "Stock Ownership Guidelines and Retention Requirements" on page 64.

## **TAX CONSIDERATIONS**

Section 162(m) of the Internal Revenue Code generally limits tax deductibility of compensation paid by a public company to its chief executive officer and certain other highly compensated executive officers to \$1 million in the year compensation becomes taxable to the executive, subject to an exception for performance-based compensation that meets specific requirements. The Committee considers the impact of this rule when developing and implementing its executive compensation programs; however, the Committee reserves the right to provide compensation that is not tax deductible if it believes the value in doing so outweighs the value of the lost tax deduction.

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COMPENSATION DISCUSSION AND ANALYSIS

We intend that the compensation paid under our annual incentive plan and under our long-term incentive awards qualifies as performance-based compensation under Section 162(m) of the Internal Revenue Code. With respect to our annual incentive plan, we established maximum payment levels under the program in February 2015 using an objective formula based on our 2015 operating income. Similarly, with respect to RSUs awarded to our named executive officers in 2015, we included forfeiture conditions that established maximum grant date fair values using an objective formula based on our 2015 free cash flow. These formulas do not establish any entitlement to payments or awards at the calculated levels. The actual payments under our annual incentive plan for 2015 and the actual grant date fair values of RSUs awarded to our named executive officers in 2015 were less than the amounts generated by the applicable formulas.

In 2015, the portion of the base salary paid to Chief Executive Officer in excess of \$1 million does not qualify as tax deductible compensation under Section 162(m). However, the Committee believes that the base salary awarded to our Chief Executive Officer in 2015 is appropriate in light of competitive market practices.

**EQUITY GRANT TIMING**

The Committee approves all long-term incentive awards to the named executive officers at in-person or telephonic meetings on an annual basis. We do not time the grant of equity awards, including stock options, to precede the release of non-public information. The Committee makes grants on an annual basis at a scheduled meeting in February, and may also grant long-term incentive awards at Committee meetings held in connection with or following new hires or promotions. Under the terms of the Company's long-term equity incentive plans, the exercise price of each stock option granted is equal to the fair market value of the underlying Common Stock on the date of grant. The Committee does not grant discounted stock options and the Company's long-term equity incentive plans do not permit stock option repricing without shareholder approval.

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REPORT OF THE COMPENSATION COMMITTEE

**REPORT OF THE COMPENSATION COMMITTEE**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on its review and discussion with management, the Compensation Committee recommended to L-3's Board of Directors that the Compensation Discussion and Analysis be included in L-3's proxy statement and Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

In 2015, Robert B. Millard (Chairman), Lewis Kramer and Lloyd W. Newton served as members of the Compensation Committee. In addition, Alan H. Washkowitz served as a member of the Compensation Committee until May 5, 2015, when he retired from the Board of Directors.

Robert B. Millard (Chairman)

Lewis Kramer

Lloyd W. Newton

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## TABULAR EXECUTIVE COMPENSATION DISCLOSURE

## TABULAR EXECUTIVE COMPENSATION DISCLOSURE

**Summary Compensation Table**

The following table provides summary information concerning compensation paid or accrued by us to or on behalf of our Chairman and Chief Executive Officer, our Senior Vice President and Chief Financial Officer, and each of our three other most highly compensated executive officers serving at fiscal year-end. These officers are collectively referred to as the named executive officers.

Name and Principal Position	Year	Salary (\$)	Stock Awards <sup>(1)</sup> (\$)	Option Awards <sup>(2)</sup> (\$)	Incentive Plan Compensation <sup>(3)</sup> (\$)	Change in Pension Value and Non-Equity Nonqualified Incentive Compensation <sup>(4)</sup> (\$)	Deferred Compensation <sup>(5)</sup> (\$)	All Other Compensation <sup>(7)</sup> (\$)	Total <sup>(8)</sup> (\$)
						Non-Equity Nonqualified Incentive Compensation <sup>(4)</sup> (\$)	Deferred Compensation <sup>(5)</sup> (\$)	All Other Compensation <sup>(7)</sup> (\$)	Total <sup>(8)</sup> (\$)
Michael T. Strianese (Chairman and Chief Executive Officer and Director)	2015	1,378,923	5,000,030	3,000,004	951,800	180,986	102,304	10,614,047	
	2014	1,350,000	5,000,003	3,000,002	731,600	4,583,292	100,496	14,765,393	
	2013	1,311,538	4,999,995	2,999,996	2,713,500		99,583	12,124,612	
Ralph G. D. Ambrosio (Senior Vice President and Chief Financial Officer)	2015	695,000	1,250,040	750,006	260,000		34,133	2,989,179	
	2014	689,539	1,350,058	809,990	212,300	1,033,645	34,262	4,129,794	
	2013	645,019	1,250,018	749,999	820,000		34,810	3,499,846	
Curtis Brunson (Executive Vice President of Corporate Strategy and Development)	2015	664,461	1,349,997	810,000	250,000	47,382	67,409	3,189,249	
	2014	643,173	1,350,058	809,990	333,900	603,652	64,682	3,805,455	
	2013	608,481	1,250,018	749,999	770,000	64,723	52,406	3,495,627	
Steve Kantor (Senior Vice President and President of Electronic Systems)	2015	686,461	824,998	495,001	880,000	172,222	81,053	3,139,735	
	2014	666,538	825,017	495,003	797,000	713,726	55,421	3,552,705	
	2013	634,712	700,007	419,997	850,000	261,404	42,238	2,908,358	
John S. Mega (Senior Vice President and President of Communication)	2015	546,927	449,999	269,993	855,000	461,724	42,134	2,625,777	

Systems)<sup>(9)</sup>

- (1) Represents the grant date fair values of RSUs and performance units, which are calculated in accordance with the accounting standards for share-based compensation using L-3's stock price on the date of grant. For a discussion of the general terms of RSUs and performance units, see Compensation Discussion and Analysis Elements of 2015 Target Pay Long-Term Incentives beginning on page 60.

RSUs are subject to forfeiture conditions based on L-3's free cash flow for the fiscal year in which they were granted. For a further discussion of these conditions, see Note 4 to the 2015 Grants of Plan-Based Awards table beginning on page 72.

The grant date fair value of the performance units assumes that the Target level of performance is achieved, which represents the probable outcome of the performance conditions of the awards on the date of grant. The following table provides the value of the performance units granted in 2015 as of their grant date assuming the Target and Maximum levels of performance are achieved:

<b>Name</b>	<b>Target (\$)</b>	<b>Maximum (\$)</b>
Michael T. Strianese	2,000,038	4,000,076
Ralph G. D. Ambrosio	500,042	1,000,084
Curtis Brunson	539,999	1,079,998
Steve Kantor	329,999	659,998
John S. Mega	180,000	360,000

- (2) Represents the grant date fair value of stock options, calculated in accordance with the accounting standards for share-based compensation. See Note 17 to the audited consolidated financial statements included in L-3's 2015 Annual Report on Form 10-K for

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## TABULAR EXECUTIVE COMPENSATION DISCLOSURE

a discussion of the assumptions used in calculating equity compensation expense in connection with stock options. For a discussion of the general terms of our stock options, see Compensation Discussion and Analysis Elements of 2015 Target Pay Long-Term Incentives Stock Options beginning on page 61.

- (3) Amounts reported in this column represent amounts earned under the annual incentive plan for each of the years indicated, although the actual payments were made in the following year. No amounts were earned under long-term performance cash awards whose performance period ended during any of the years indicated. For a further discussion of these awards, see Compensation Discussion and Analysis Elements of 2015 Target Pay Annual Incentives beginning on page 54 and Compensation Discussion and Analysis Payment of Performance Awards for the 2013-2015 Award Cycle on page 63.
- (4) For 2014, the amounts reported in this column reflect the amounts earned under the annual incentive plan for 2014 performance, reduced by amounts attributable to the discretionary recalculation of prior payouts based on the revision of L-3's financial statements for prior years as disclosed in last year's proxy statement. The table below sets forth the amounts that would have appeared in this column if (a) the amounts reported for 2014 reflected only the amounts earned under the annual incentive plan for 2014 performance (prior to any reduction based on the revision of prior year results), and (b) the amounts reported for 2013 reflected the amounts that would have been earned under the annual incentive plan for 2013 performance had such performance been calculated based on 2013 revised results.

Name	Non-Equity Incentive Plan Compensation		
	2015 (\$)	2014 (\$)	2013 (\$)
Michael T. Strianese	951,800	1,871,100	2,409,750
Ralph G. D. Ambrosio	260,000	500,000	722,800
Curtis Brunson	250,000	608,000	680,000
Steve Kantor	880,000	915,000	830,440
John S. Mega	855,000		

- (5) Amounts reported in this column represent the increase in the actuarial value of defined benefit plans and also include above-market interest earned on deferred compensation balances. Actuarial value computations are based on assumptions discussed in Note 19 to the audited consolidated financial statements included in L-3's 2015 Annual Report on Form 10-K.

None of the named executive officers earned above-market interest on deferred compensation balances for 2015 other than Mr. Brunson. The amount reported for Mr. Brunson for 2015 reflects an increase of \$44,353 in the actuarial value of defined benefit plans, and \$3,029 in above-market interest on deferred compensation balances.

Mr. D Ambrosio experienced a loss in 2015 of \$79,367 in the actuarial value of the defined benefit plans in which he participates. Accordingly, the increase in the actuarial value of defined benefit plans reported for him for 2015 as \$0.

- (6) The increases in the actuarial value of defined benefit plans included in this column are strongly correlated with changes in actuarial assumptions made since 2012 as required under GAAP. The table below sets forth the different actuarial assumptions used to calculate the change in pension value for the years indicated:

Year	Discount Rate	Actuarial Assumptions
		Post-Retirement Mortality
2015	4.70%	RP-2014 Annuitant Mortality table (adjusted back to 2006), projected generationally with the 2014 Social Security Administration Intermediate-Cost Projections Scale
2014	4.20%	RP-2014 Annuitant Mortality table (adjusted back to 2006), projected generationally with the 2014 Social Security Administration Intermediate-Cost Projections Scale
2013	5.10%	RP-2000 Annuitant Mortality table, projected 7 years from valuation date
2012	4.20%	RP-2000 Annuitant Mortality table, projected 7 years from valuation date

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## TABULAR EXECUTIVE COMPENSATION DISCLOSURE

If no change had been made to the 2012 discount rate and mortality assumptions, the amounts that would have been reported in this column for the named executive officers for 2015, 2014 and 2013 would have been as follows:

Name	Change in Pension Value and Nonqualified Deferred Compensation Earnings		
	2015 (\$)	2014 (\$)	2013 (\$)
Michael T. Strianese	1,409,154	1,524,835	1,344,191
Ralph G. D. Ambrosio	257,402	341,021	376,665
Curtis Brunson	158,444	232,173	254,220
Steve Kantor	264,884	336,613	428,598
John S. Mega	710,569		

- (7) The following table describes each component of the All Other Compensation column in the Summary Compensation Table above for 2015.

Name	Employer Contribution to Employee Savings Plan				Total (\$)
	Life Insurance <sup>(a)</sup> (\$)	Medical Insurance Benefits <sup>(b)</sup> (\$)	Other (\$)	Total (\$)	
Michael T. Strianese <sup>(c)</sup>	16,600	28,380	9,491	47,833 <sup>(d)</sup>	102,304
Ralph G. D. Ambrosio	10,600	12,144	11,389		34,133
Curtis Brunson	16,600	26,318	9,491	15,000 <sup>(e)</sup>	67,409
Steve Kantor	16,600	44,591	9,491	10,371 <sup>(f)</sup>	81,053
John S. Mega	7,555	23,190	11,389		42,134

(a) Represents payments of premiums for executive and group term life insurance.

(b) Represents payments of premiums for a Company-provided executive medical reimbursement plan.



- (c) Mr. Strianese has access to L-3's fractionally-owned aircraft for occasional personal use. Mr. Strianese is required to and has reimbursed L-3 for all incremental costs incurred by L-3 in connection with his personal use of the aircraft.
- (d) Represents incremental costs of \$27,833 associated with the use of a Company car, which include the monthly lease payments, maintenance, gas, tolls, parking and all other costs associated with the car, and payments of \$20,000 for financial planning services.
- (e) Represents payments of \$15,000 for financial planning services.
- (f) Represents payments of \$9,411 for financial planning services and \$960 for spousal travel to a Company-sponsored event.
- (8) The amounts in this column include increases in the actuarial value of defined benefit plans reported for each year, which are strongly correlated with changes in actuarial assumptions described in Note 6 above. If no changes had been made to these actuarial assumptions, the amounts that would have been reported in this column for the named executive officers for 2015, 2014 and 2013 would have been as follows:

<b>Name</b>	<b>2015</b>	<b>Total</b>	<b>2013</b>
	(\$)	(\$)	(\$)
Michael T. Strianese	11,842,215	11,706,936	13,468,803
Ralph G. D. Ambrosio	3,246,581	3,437,170	3,876,511
Curtis Brunson	3,300,311	3,433,976	3,685,124
Steve Kantor	3,232,397	3,175,592	3,075,552
John S. Mega	2,874,622		

- (9) Mr. Mega was not considered a named executive officer prior to 2015.

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## TABULAR EXECUTIVE COMPENSATION DISCLOSURE

**2015 Grants of Plan-Based Awards**

The following table provides information regarding: (1) annual incentive plan awards and three-year performance cash awards under the L-3 Communications Holdings, Inc. 2012 Cash Incentive Plan, and (2) performance units, RSUs and stock options under the L-3 Communications Holdings, Inc. Amended and Restated 2008 Long Term Performance Plan. Plan-based awards are generally granted to the named executive officers on an annual basis in February.

	Grant Type	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Awards: Securities Underlying	Exercise or Price of Option	Grant Date
			Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)	Options (#)	Awards (\$/Sh)	Value of Stock Option Awards (\$)
M. T. Strianese	AIP <sup>(1)</sup>	2/17/15		2,293,500	4,587,000						
	PCA <sup>(2)</sup>	2/17/15	1,000,000	2,000,000	4,000,000						
	PU <sup>(3)</sup>	2/17/15				7,734	15,467	30,934			2,000
	RSU <sup>(4)</sup>	2/17/15					23,200	23,200			2,990
	Option <sup>(5)</sup>	2/17/15				73,458	146,915	146,915		129.31	3,000
G. D. Ambrosio	AIP <sup>(1)</sup>	2/17/15		625,500	1,251,000						
	PCA <sup>(2)</sup>	2/17/15	250,000	500,000	1,000,000						
	PU <sup>(3)</sup>	2/17/15				1,934	3,867	7,734			500
	RSU <sup>(4)</sup>	2/17/15					5,800	5,800			740
	Option <sup>(5)</sup>	2/17/15							36,729	129.31	750
J. Brunson	AIP <sup>(1)</sup>	2/17/15		603,000	1,206,000						
	PCA <sup>(2)</sup>	2/17/15	270,000	540,000	1,080,000						
	PU <sup>(3)</sup>	2/17/15				2,088	4,176	8,352			530
	RSU <sup>(4)</sup>	2/17/15					6,264	6,264			800
	Option <sup>(5)</sup>	2/17/15							39,667	129.31	810

antor	AIP <sup>(1)</sup>	2/17/15		692,000	1,557,000					
	PCA <sup>(2)</sup>	2/17/15	165,000	330,000	660,000					
	PU <sup>(3)</sup>	2/17/15				1,276	2,552	5,104		32
	RSU <sup>(4)</sup>	2/17/15					3,828	3,828		49
	Option <sup>(5)</sup>	2/17/15							24,241	129.31
Mega	AIP <sup>(1)</sup>	2/17/15		541,000	1,217,250					
	PCA <sup>(2)</sup>	2/17/15	90,000	180,000	360,000					
	PU <sup>(3)</sup>	2/17/15				696	1,392	2,784		18
	RSU <sup>(4)</sup>	2/17/15					2,088	2,088		20
	Option <sup>(5)</sup>	2/17/15							13,222	129.31

- (1) Represents the Threshold, Target and Maximum cash payout opportunities for fiscal 2015 under the annual incentive plan, which were established by the Compensation Committee in February of 2015. For a further discussion of the payout opportunities, see Compensation Discussion and Analysis Elements of 2015 Target Pay Annual Incentives beginning on page 54.
- (2) Represents long-term performance cash awards granted to the named executive officers. The final value of each award will vary based upon L-3's relative TSR achieved over the three-year performance period beginning January 1, 2015 and ending December 31, 2017 in relation to performance goals established by the Compensation Committee in February 2015. The amounts disclosed in the Estimated Future Payouts Under Non-Equity Incentive Plan Awards columns represent the amounts of cash to be paid assuming achievement of the specific Threshold, Target or Maximum levels of performance established by the Compensation Committee for these awards over the performance period. See Compensation Discussion and Analysis Elements of 2015 Target Pay Long-Term Incentives Performance Awards beginning on page 61 for a further discussion of the performance cash awards. See Potential Payments Upon Change in Control or Termination of Employment Effect of Change in Control or Termination of Employment Upon Long-Term Incentive Awards beginning on page 82 for a discussion concerning the effect of a change in control or termination of employment on outstanding performance cash awards.
- (3) Represents performance units granted to the named executive officers, which are payable in shares of our Common Stock at the end of the performance period. The final number of shares of our Common Stock issuable for each unit will vary based upon L-3's EPS achieved over the three-year performance period beginning January 1, 2015 and ending December 31, 2017 in relation to performance goals established by the Compensation Committee in February 2015. The amounts disclosed in the Estimated Future Payouts Under Equity Incentive Plan Awards columns represent the shares of our Common Stock issuable assuming achievement of

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## TABULAR EXECUTIVE COMPENSATION DISCLOSURE

the specific Threshold, Target or Maximum levels of performance established by the Compensation Committee for these units over the performance period. See Compensation Discussion and Analysis Elements of 2015 Target Pay Long-Term Incentives Performance Awards beginning on page 61 for a further discussion of the performance units. See Potential Payments Upon Change in Control or Termination of Employment Effect of Change in Control or Termination of Employment Upon Long-Term Incentive Awards beginning on page 82 for a discussion concerning the effect of a change in control or termination of employment on outstanding performance units. The amounts disclosed in the Grant Date Fair Value of Stock and Option Awards column represent the grant date fair values of the performance unit awards assuming that the Target level of performance for the awards is achieved, as calculated in accordance with the accounting standards for share-based compensation.

- (4) Represents RSUs granted to the named executive officers, which vest three years after the grant date and are subject to forfeiture conditions based on a grant date fair value limit equal to 0.5% of L-3's 2015 free cash flow (or 1.0% of L-3's 2015 free cash flow, in the case of the RSUs granted to Mr. Strianese). If the grant date fair value of an executive's RSU award exceeds the applicable limit, then the portion of the executive's award exceeding this limit is forfeited. The Threshold level of performance reported in table above assumes that L-3's 2015 free cash flow is negative, resulting in the forfeiture of all RSUs. The Target and Maximum levels of performance reported in table above assume that L-3's 2015 free cash flow is sufficient to avoid any forfeiture of the RSUs. The calculation of free cash flow under these awards is identical to the calculation of free cash flow under the annual incentive plan for fiscal 2015 performance. The amounts disclosed in the Grant Date Fair Value of Stock and Option Awards column represent the grant date fair values of the RSU awards assuming that L-3's 2015 free cash flow is sufficient to avoid any forfeiture of the awards, as calculated in accordance with the accounting standards for share-based compensation. For a discussion of the free cash flow calculation, see Compensation Discussion and Analysis Elements of 2015 Target Pay Annual Incentives beginning on page 54. For a further discussion of our RSUs, see Compensation Discussion and Analysis Elements of 2015 Target Pay Long-Term Incentives RSUs on page 63. For a discussion concerning the effect of a change in control or termination of employment on outstanding RSUs, see Potential Payments Upon Change in Control or Termination of Employment Effect of Change in Control or Termination of Employment Upon Long-Term Incentive Awards beginning on page 82.
- (5) Represents stock options granted to the named executive officers. The awards had an exercise price equal to the closing price of our Common Stock on the grant date, and provide value to the recipient only if the price of our Common Stock increases after the grant date. Stock options have a term of ten years and vest in equal, annual increments over a three-year period starting with the first anniversary of the grant date and, in the case of the options granted to Mr. Strianese, are also subject to two separate vesting conditions based on L-3's 2015 financial performance, which includes L-3 achieving consolidated EPS of at least \$6.38 and consolidated FCF of at least \$786 million. With regard to the options granted to Mr. Strianese, the Threshold level of performance reported in table above assumes the satisfaction of only one of the financial performance conditions, while the Target and Maximum levels of performance reported in table above assume the satisfaction of both financial performance conditions. The amounts disclosed in the Grant Date Fair Value of Stock and Option Awards

column represent the grant date fair values of the option awards, as calculated in accordance with the accounting standards for share-based compensation. With regard to the options granted to Mr. Strianese, the amount disclosed in the Grant Date Fair Value of Stock and Option Awards column assumes that both of the financial performance conditions of his award are satisfied. For a further discussion of the stock options, see

Compensation Discussion and Analysis Elements of 2015 Target Pay Long-Term Incentives Stock Options beginning on page 61. For a discussion concerning the effect of a change in control or termination of employment on outstanding stock option awards, see Potential Payments Upon Change in Control or Termination of Employment Effect of Change in Control or Termination of Employment Upon Long-Term Incentive Awards beginning on page 82.

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**Outstanding Equity Awards at Fiscal Year End 2015**

The following table provides information with respect to holdings of exercisable and unexercisable stock options, and unvested and (as applicable) unearned RSUs and performance units held by the named executive officers at December 31, 2015.

Name	Option Awards				Stock Awards			
	Number of Securities Underlying Unexercised Options Grant Date	Number of Securities Underlying Unexercised Options	Exercise Price <sup>(1)</sup> (\$)	Expiration Date	Market Value of Unearned Shares, Units or Other Rights That Have Not Vested <sup>(3)</sup>	Market Value of Unearned Shares, Units or Other Rights That Have Not Vested <sup>(4)</sup>	Equity Incentive Plan Awards: Payout of Unearned Shares, Units or Other Rights That Have Not Vested <sup>(5)</sup>	Equity Incentive Plan Awards: Payout of Unearned Shares, Units or Other Rights That Have Not Vested <sup>(4)</sup>
Michael T. Strianese	2/17/15							