

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2017

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 001-14141

L3 TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware

**(State or other jurisdiction of
incorporation or organization)**

13-3937436

**(I.R.S. Employer
Identification No.)**

600 Third Avenue, New York, NY

(Address of principal executive offices)

10016

(Zip Code)

(212) 697-1111

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on the corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

There were 77,877,337 shares of the registrant's common stock with a par value of \$0.01 outstanding as of the close of business on April 21, 2017.

L3 TECHNOLOGIES, INC.
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For the quarterly period ended March 31, 2017

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PART I — FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

L3 TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except share data)

| | (Unaudited) March 31, 2017 | December 31, 2016 |
|---|----------------------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 230 | \$ 363 |
| Billed receivables, net of allowances of \$13 in 2017 and 2016 | 802 | 731 |
| Contracts in process | 2,254 | 2,055 |
| Inventories | 353 | 330 |
| Other current assets | 233 | 218 |
| Total current assets | <u>3,872</u> | <u>3,697</u> |
| Property, plant and equipment, net | 1,123 | 1,121 |
| Goodwill | 6,679 | 6,560 |
| Identifiable intangible assets | 242 | 238 |
| Other assets | 248 | 249 |
| Total assets | <u>\$ 12,164</u> | <u>\$ 11,865</u> |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Accounts payable, trade | \$ 427 | \$ 299 |
| Accrued employment costs | 449 | 516 |
| Accrued expenses | 390 | 375 |
| Advance payments and billings in excess of costs incurred | 489 | 492 |
| Income taxes payable | 30 | 22 |
| Other current liabilities | 444 | 431 |
| Total current liabilities | <u>2,229</u> | <u>2,135</u> |
| Pension and postretirement benefits | 1,184 | 1,177 |
| Deferred income taxes | 258 | 236 |
| Other liabilities | 365 | 368 |
| Long-term debt | 3,326 | 3,325 |
| Total liabilities | <u>7,362</u> | <u>7,241</u> |
| Commitments and contingencies (see Note 18) | | |
| Equity: | | |
| Shareholders' equity: | | |
| Common stock: \$.01 par value; 300,000,000 shares authorized, 77,895,733 shares outstanding at March 31, 2017 and 77,232,204 shares outstanding at December 31, 2016 | 6,330 | 6,285 |
| Treasury stock (at cost), 82,385,075 shares at March 31, 2017 and December 31, 2016 | (7,224) | (7,224) |
| Retained earnings | 6,323 | 6,218 |
| Accumulated other comprehensive loss | (698) | (726) |
| Total shareholders' equity | <u>4,731</u> | <u>4,553</u> |
| Noncontrolling interests | 71 | 71 |
| Total equity | <u>4,802</u> | <u>4,624</u> |
| Total liabilities and equity | <u>\$ 12,164</u> | <u>\$ 11,865</u> |

See notes to unaudited condensed consolidated financial statements.

L3 TECHNOLOGIES, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share data)

| | First Quarter Ended | |
|--|---------------------|-------------------|
| | March 31, 2017 | March 25, 2016 |
| Net sales: | | |
| Products | \$ 1,600 | \$ 1,423 |
| Services | 1,069 | 930 |
| Total net sales | <u>2,669</u> | <u>2,353</u> |
| Cost of sales: | | |
| Products | (1,426) | (1,266) |
| Services | (990) | (835) |
| Total cost of sales | <u>(2,416)</u> | <u>(2,101)</u> |
| Operating income | 253 | 252 |
| Interest expense | (42) | (41) |
| Interest and other income, net | 5 | 4 |
| Income from continuing operations before income taxes | 216 | 215 |
| Provision for income taxes | (48) | (48) |
| Income from continuing operations | 168 | 167 |
| Income from discontinued operations, net of income taxes | — | 63 |
| Net income | 168 | 230 |
| Net income from continuing operations attributable to noncontrolling interests | (4) | (3) |
| Net income attributable to L3 | <u>\$ 164</u> | <u>\$ 227</u> |
| Basic earnings per share attributable to common shareholders: | | |
| Continuing operations | \$ 2.11 | \$ 2.11 |
| Discontinued operations | — | 0.81 |
| Basic earnings per share | <u>\$ 2.11</u> | <u>\$ 2.92</u> |
| Diluted earnings per share attributable to common shareholders: | | |
| Continuing operations | \$ 2.07 | \$ 2.08 |
| Discontinued operations | — | 0.79 |
| Diluted earnings per share | <u>\$ 2.07</u> | <u>\$ 2.87</u> |
| Cash dividends declared per common share | <u>\$ 0.75</u> | <u>\$ 0.70</u> |
| Weighted average common shares outstanding: | | |
| Basic | <u>77.7</u> | <u>77.8</u> |
| Diluted | <u>79.3</u> | <u>79.0</u> |

See notes to unaudited condensed consolidated financial statements.

L3 TECHNOLOGIES, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

| | <u>First Quarter Ended</u> | |
|--|---------------------------------|---------------------------------|
| | <u>March 31,</u> <u>2017</u> | <u>March 25,</u> <u>2016</u> |
| Net income | \$ 168 | \$ 230 |
| Other comprehensive income: | | |
| Foreign currency translation adjustments | 19 | 1 |
| Unrealized gains on hedging instruments ⁽¹⁾ | — | 7 |
| Pension and postretirement benefit plans: | | |
| Amortization of net loss and prior service cost previously recognized ⁽²⁾ | 9 | 8 |
| Total other comprehensive income | <u>28</u> | <u>16</u> |
| Comprehensive income | 196 | 246 |
| Comprehensive income attributable to noncontrolling interests | <u>(4)</u> | <u>(3)</u> |
| Comprehensive income attributable to L3 | <u>\$ 192</u> | <u>\$ 243</u> |

(1) Net of income taxes of \$3 million for the quarterly period ended March 25, 2016.

(2) Net of income taxes of \$6 million and \$4 million for the quarterly periods ended March 31, 2017 and March 25, 2016, respectively.

See notes to unaudited condensed consolidated financial statements.

L3 TECHNOLOGIES, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(in millions, except per share data)

| | Common Stock | | Additional Paid-in Capital | Treasury Stock | Retained Earnings | Accumulated Other Comprehensive Loss | Noncontrolling Interests | Total Equity |
|---|-----------------------|--------------|----------------------------------|-------------------|----------------------|---|-----------------------------|-----------------|
| | Shares Outstanding | Par Value | | | | | | |
| For the Quarter Ended March 31, 2017: | | | | | | | | |
| Balance at December 31, 2016 | 77.2 | \$ 1 | \$ 6,284 | \$ (7,224) | \$ 6,218 | \$ (726) | \$ 71 | \$4,624 |
| Net income | | | | | 164 | | 4 | 168 |
| Other comprehensive income | | | | | | 28 | | 28 |
| Distributions to noncontrolling interests | | | | | | | (4) | (4) |
| Cash dividends declared (\$0.75 per share) | | | | | (59) | | | (59) |
| Shares issued: | | | | | | | | |
| Employee savings plans | 0.2 | | 36 | | | | | 36 |
| Exercise of stock options | 0.2 | | 13 | | | | | 13 |
| Employee stock purchase plan | 0.1 | | — | | | | | — |
| Vesting of restricted stock and performance units | 0.3 | | | | | | | — |
| Repurchases of common stock to satisfy tax withholding obligations | (0.1) | | (18) | | | | | (18) |
| Stock-based compensation expense | | | 14 | | | | | 14 |
| Balance at March 31, 2017 | <u>77.9</u> | <u>\$ 1</u> | <u>\$ 6,329</u> | <u>\$ (7,224)</u> | <u>\$ 6,323</u> | <u>\$ (698)</u> | <u>\$ 71</u> | <u>\$4,802</u> |
| For the Quarter Ended March 25, 2016: | | | | | | | | |
| Balance at December 31, 2015 | 78.1 | \$ 1 | \$ 6,051 | \$ (6,851) | \$ 5,728 | \$ (574) | \$ 74 | \$4,429 |
| Net income | | | | | 227 | | 3 | 230 |
| Other comprehensive income | | | | | | 16 | | 16 |
| Distributions to noncontrolling interests | | | | | | | (4) | (4) |
| Cash dividends declared (\$0.70 per share) | | | | | (54) | | | (54) |
| Shares issued: | | | | | | | | |
| Employee savings plans | 0.3 | | 32 | | | | | 32 |
| Exercise of stock options | 0.2 | | 14 | | | | | 14 |
| Employee stock purchase plan | 0.1 | | — | | | | | — |
| Vesting of restricted stock and performance units | 0.5 | | | | | | | — |
| Repurchases of common stock to satisfy tax withholding obligations | (0.2) | | (20) | | | | | (20) |
| Stock-based compensation expense | | | 6 | | | | | 6 |
| Treasury stock purchased | (1.7) | | | (198) | | | | (198) |
| Balance at March 25, 2016 | <u>77.3</u> | <u>\$ 1</u> | <u>\$ 6,083</u> | <u>\$ (7,049)</u> | <u>\$ 5,901</u> | <u>\$ (558)</u> | <u>\$ 73</u> | <u>\$4,451</u> |

See notes to unaudited condensed consolidated financial statements.

L3 TECHNOLOGIES, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

| | First Quarter Ended | |
|---|---------------------|-------------------|
| | March 31, 2017 | March 25, 2016 |
| Operating activities: | | |
| Net income | \$ 168 | \$ 230 |
| Less: Income from discontinued operations, net of tax | — | (63) |
| Income from continuing operations | 168 | 167 |
| Depreciation of property, plant and equipment | 41 | 40 |
| Amortization of intangibles and other assets | 13 | 10 |
| Deferred income tax provision | 17 | 12 |
| Stock-based employee compensation expense | 14 | 6 |
| Contributions to employee savings plans in L3's common stock | 36 | 30 |
| Amortization of pension and postretirement benefit plans net loss and prior service cost | 15 | 12 |
| Amortization of bond discounts and deferred debt issue costs (included in interest expense) | 1 | 2 |
| Other non-cash items | 4 | 1 |
| Changes in operating assets and liabilities, excluding amounts from acquisitions and divestitures, and discontinued operations: | | |
| Billed receivables | (67) | (32) |
| Contracts in process | (205) | (148) |
| Inventories | (11) | (19) |
| Other assets | 1 | 4 |
| Accounts payable, trade | 124 | 115 |
| Accrued employment costs | (76) | (46) |
| Accrued expenses | 21 | 16 |
| Advance payments and billings in excess of costs incurred | (7) | (64) |
| Income taxes | 15 | 20 |
| Other current liabilities | (3) | (6) |
| Pension and postretirement benefits | 7 | (1) |
| All other operating activities | (23) | (7) |
| Net cash from operating activities from continuing operations | 85 | 112 |
| Investing activities: | | |
| Business acquisitions, net of cash acquired | (139) | (27) |
| Proceeds from the sale of businesses, net of closing date cash balances | 16 | 576 |
| Capital expenditures | (42) | (35) |
| Dispositions of property, plant and equipment | 1 | 7 |
| Other investing activities | 5 | 9 |
| Net cash (used in) from investing activities from continuing operations | (159) | 530 |
| Financing activities: | | |
| Borrowings under revolving credit facility | 664 | 217 |
| Repayments of borrowings under revolving credit facility | (664) | (217) |
| Common stock repurchased | — | (198) |
| Dividends paid on L3's common stock | (61) | (58) |
| Proceeds from exercises of stock options | 12 | 14 |
| Proceeds from employee stock purchase plan | 8 | 8 |
| Repurchases of common stock to satisfy tax withholding obligations | (18) | (20) |
| Other financing activities | (4) | (5) |
| Net cash used in financing activities from continuing operations | (63) | (259) |
| Effect of foreign currency exchange rate changes on cash and cash equivalents | 4 | — |
| Net cash used in operating activities from discontinued operations | — | (56) |
| Net (decrease) increase in cash and cash equivalents | (133) | 327 |
| Cash and cash equivalents, beginning of the period | 363 | 207 |
| Cash and cash equivalents, end of the period | \$ 230 | \$ 534 |

See notes to unaudited condensed consolidated financial statements.

**L3 TECHNOLOGIES, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

1. Description of Business

L3 Technologies, Inc. (L3 Technologies Inc. and, together with its subsidiaries, referred to herein as L3 or the Company) 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. L3 is also a leading provider of a broad range of communication and electronic systems and products used on military and commercial platforms. The Company's customers include the United States (U.S.) Department of Defense (DoD) and its prime contractors, U.S. Government intelligence agencies, the U.S. Department of Homeland Security (DHS), foreign governments, and domestic and international commercial customers.

At December 31, 2016, the Company had the following three reportable segments: (1) Electronic Systems, (2) Aerospace Systems and (3) Communication Systems. Effective March 1, 2017, the Company realigned its Electronic Systems segment, which was separated into two segments named: (1) Electronic Systems and (2) Sensor Systems. Accordingly, the Company's current structure consists of the following four segments: (1) Electronic Systems, (2) Aerospace Systems, (3) Communication Systems and (4) Sensor Systems. Electronic Systems provides a broad range of products and services for military and commercial customers in several niche markets across several business areas. The business areas are: Precision Engagement and Training, Power & Propulsion Systems, Aviation Products, Security & Detection Systems and Link U.S. operations. Aerospace Systems delivers integrated solutions for the global ISR market and provides engineering, modernization, upgrade, sustainment, and maintenance and logistics support for a wide variety of aircraft and ground systems. Aerospace Systems sells these products and services primarily to the DoD and select foreign governments. The business areas are: ISR Systems, Aircraft Systems and Vertex Aerospace. Communication Systems delivers products and services for the global communications market, specializing in strategic and tactical space, airborne, ground and sea-based communication systems. Communication Systems sells these products and services primarily to the DoD and select foreign governments. The business areas are: Broadband Communication Systems, Advanced Communications and Space & Power Systems. Sensor Systems provides diverse sensor technologies for the land, sea, air, space and cyber domains to military and commercial customers. The business areas are: Integrated Sensor Systems, Warrior Systems, Ocean Systems and Advanced Programs. The Company reports its segment results for all periods presented under the realigned business segments for the prior year to be consistent with the current presentation.

On December 7, 2015, the Company entered into a definitive agreement to sell its National Security Solutions (NSS) business to CACI International Inc. The transaction was completed on February 1, 2016. NSS provided cybersecurity solutions, high-performance computing, enterprise IT services, analytics and intelligence analysis to the DoD, U.S. Government intelligence agencies, federal civilian agencies and foreign governments. In accordance with Accounting Standards Update (ASU) 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*, the results of operations of NSS are reported as discontinued operations for all periods presented. Accordingly, all references made to financial data in this Quarterly Report on Form 10-Q are to the Company's continuing operations, unless specifically noted. See Note 5 for additional information.

Financial information with respect to the Company's segments is included in Note 22 to the unaudited condensed consolidated financial statements and in Note 21 to the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

2. Basis of Presentation

These unaudited condensed consolidated financial statements for the quarterly period ended March 31, 2017 should be read in conjunction with the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

Principles of Consolidation and Reporting

The accompanying financial statements comprise the consolidated financial statements of L3. The consolidated financial statements of the Company include all wholly-owned and majority-owned subsidiaries. All significant intercompany transactions are eliminated in consolidation. Investments in equity securities, joint ventures and limited

L3 TECHNOLOGIES, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS — CONTINUED

liability corporations over which the Company has significant influence but does not have voting control are accounted for using the equity method. Investments over which the Company does not have significant influence are accounted for using the cost method. For the classification of contract related assets and liabilities, the Company uses the duration of the related contract or program as its operating cycle, which may be longer than one year, and classifies them as current. Certain reclassifications have been made to conform prior-year amounts to the current-year presentation.

The unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission (SEC). Accordingly, they do not include all of the disclosures required by U.S. GAAP for a complete set of annual audited financial statements. The December 31, 2016 condensed consolidated balance sheet data was derived from audited financial statements but does not include all disclosures required by U.S. GAAP. In the opinion of management, all adjustments (consisting of normal and recurring adjustments) considered necessary for a fair statement of the results for the interim periods presented have been included. The results of operations for the interim periods are not necessarily indicative of results for the full year.

It is generally the Company's established practice to close its books for the quarters ending March, June and September on the Friday preceding the end of the calendar quarter. The interim unaudited condensed consolidated financial statements included herein have been prepared and are labeled based on that convention. The Company closes its books for annual periods on December 31 regardless of what day it falls on.

Accounting Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of sales and costs of sales during the reporting period. The most significant of these estimates and assumptions for L3 relate to contract revenue, profit and loss recognition, fair values of assets acquired and liabilities assumed in business combinations, market values for inventories reported at lower of cost or market, pension and post-retirement benefit obligations, stock-based employee compensation expense, income taxes, including the valuations of deferred tax assets, litigation reserves and environmental obligations, accrued product warranty costs, useful lives and valuation of recorded amounts of long-lived assets, identifiable intangible assets and goodwill. Changes in estimates are reflected in the periods during which they become known. Actual amounts may differ from these estimates and could differ materially.

Revisions or adjustments to estimates for a contract's revenue, estimated costs at completion and estimated profit or loss are often required as work progresses under a contract, as experience is gained, as facts and circumstances change and as new information is obtained, even though the scope of work required under the contract may not change. Revisions or adjustments may also be required if contract modifications occur. The impact of revisions in profit (loss) estimates for all types of contracts subject to percentage-of-completion (POC) accounting are recognized on a cumulative catch-up basis in the period in which the revisions are made. The revisions in contract estimates, if significant, can materially affect the Company's results of operations and cash flows, as well as reduce the valuations of receivables and inventories, and in some cases result in liabilities to complete contracts in a loss position. Aggregate net changes in contract estimates amounted to increases of \$41 million, or 16%, of operating income (\$0.33 per diluted share) for the quarterly period ended March 31, 2017, and increases of \$56 million, or 22%, of operating income (\$0.46 per diluted share) for the quarterly period ended March 25, 2016.

Revenue Recognition

Substantially all of the Company's sales are generated from written contractual (revenue) arrangements. The sales price for the Company's revenue arrangements are either fixed-price, cost-plus or time-and-material type. Depending on the contractual scope of work, the Company utilizes either contract accounting standards or accounting standards for revenue arrangements with commercial customers to account for these contracts. Approximately 50% of the Company's net sales in 2016 were accounted for under contract accounting standards, of which approximately 41% were fixed-price type contracts and approximately 9% were cost-plus type contracts. For contracts that are

L3 TECHNOLOGIES, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS — CONTINUED

accounted for under contract accounting standards, sales and profits are recognized based on: (1) a POC method of accounting (fixed-price type contracts), (2) allowable costs incurred plus the estimated profit on those costs (cost-plus type contracts), or (3) direct labor hours expended multiplied by the contractual fixed rate per hour plus incurred costs for material (time-and-material type contracts).

Sales and profits on fixed-price type contracts that are covered by contract accounting standards are substantially recognized using POC methods of accounting. Sales and profits on fixed-price production contracts under which units are produced and delivered in a continuous or sequential process are recorded as units are delivered based on their contractual selling prices (the “units-of-delivery” method). Sales and profits on each fixed-price production contract under which units are not produced and delivered in a continuous or sequential process, or under which a relatively few number of units are produced, are recorded based on the ratio of actual cumulative costs incurred to the total estimated costs at completion of the contract, multiplied by the total estimated contract revenue, less cumulative sales recognized in prior periods (the “cost-to-cost” method). Under both POC methods of accounting, a single estimated total profit margin is used to recognize profit for each contract over its entire period of performance, which can exceed one year. Losses on contracts are recognized in the period in which they become evident. Amounts representing contract change orders or claims are included in sales only when they can be reliably estimated and their realization is reasonably assured. The impact of revisions of contract estimates, which may result from contract modifications, performance or other reasons, are recognized on a cumulative catch-up basis in the period in which the revisions are made.

Sales and profits on cost-plus type contracts that are covered by contract accounting standards are recognized as allowable costs are incurred on the contract, at an amount equal to the allowable costs plus the estimated profit on those costs. The estimated profit on a cost-plus type contract is fixed or variable based on the contractual fee arrangement types. Incentive and award fees are the primary variable fee contractual arrangement types for the Company. Incentive and award fees on cost-plus type contracts are included as an element of total estimated contract revenues and are recorded as sales when a basis exists for the reasonable prediction of performance in relation to established contractual targets and the Company is able to make reasonably dependable estimates for them.

Sales and profits on time-and-material type contracts are recognized on the basis of direct labor hours expended multiplied by the contractual fixed rate per hour, plus the actual costs of materials and other direct non-labor costs.

Sales on arrangements for (1) fixed-price type contracts that require the Company to perform services that are not related to the production of tangible assets (Fixed-Price Service Contracts) and (2) certain commercial customers are recognized in accordance with accounting standards for revenue arrangements with commercial customers. Sales for the Company’s businesses whose customers are primarily commercial business enterprises are substantially all generated from single element revenue arrangements. Sales are recognized when there is persuasive evidence of an arrangement, delivery has occurred or services have been performed, the selling price to the buyer is fixed or determinable and collectability is reasonably assured. Sales for Fixed-Price Service Contracts that do not contain measurable units of work performed are generally recognized on a straight-line basis over the contractual service period, unless evidence suggests that the revenue is earned, or obligations fulfilled, in a different manner. Sales for Fixed-Price Service Contracts that contain measurable units of work performed are generally recognized when the units of work are completed. Sales and profit on cost-plus and time-and-material type contracts within the scope of accounting standards for revenue arrangements with commercial customers are recognized in the same manner as those within the scope of contract accounting standards, except for incentive and award fees. Cost-based incentive fees are recognized when they are realizable in the amount that would be due under the contractual termination provisions as if the contract was terminated. Performance based incentive fees and award fees are recorded as sales when objective evidence exists that the fees have been earned.

For a more complete discussion of these estimates and assumptions, see the Annual Report on Form 10-K for the year ended December 31, 2016.

3. New Accounting Standards Implemented

In January 2017, the Financial Accounting Standards Board (FASB) issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment*, which eliminates Step 2, the computation of the implied fair value of goodwill to determine the amount of impairment, from the goodwill impairment test. In computing the implied fair value of goodwill for

L3 TECHNOLOGIES, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS — CONTINUED

Step 2 under current accounting standards, the Company calculates the fair value of its assets and liabilities (including unrecognized assets and liabilities) as if acquired or assumed in a business combination. Under the amendments in this update the Company will determine the amount of goodwill impairment, by comparing the Step 1 fair value of a reporting unit with its carrying amount. To the extent the carrying value of a reporting unit exceeds its Step 1 fair value, a goodwill impairment charge is recognized. The new standard is effective for the Company for annual and interim impairment tests beginning January 1, 2020 with early adoption permitted. The Company has elected to early adopt the new standard effective January 1, 2017, because the ASU significantly simplifies the evaluation of goodwill for impairment. The impact of this standard for the Company will depend on the outcomes of future goodwill impairment tests.

4. Accounting Standards Issued and Not Yet Implemented

In March 2017, the FASB issued ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. Under current U.S. GAAP, defined benefit pension and postretirement benefit cost (net benefit cost) comprise several components that reflect different aspects of the Company's financial arrangements as well as the cost of benefits provided to employees. Those components are aggregated for reporting in the financial statements, and current U.S. GAAP presents those costs within the operating section of the income statement or capitalized into assets when appropriate. The amendments in this update require the Company to report the service cost component in the same line item as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented separately from the service cost component and below income from operations. The amendments in this update also allow only the service cost component to be eligible for capitalization when applicable. The amendments in this update will be effective for the Company for interim and annual periods beginning January 1, 2018. Upon adoption, the amendments in this update will be applied retrospectively for the presentation of the components of net benefit cost, and prospectively for the capitalization of the service cost component of net benefit cost. The adoption of this standard will not impact pre-tax income or earnings per share reported under current GAAP for the years ended December 31, 2017 and 2016 and is not expected to materially impact pre-tax income or earnings per share for the year ended December 31, 2018.

In January 2017, the FASB issued ASU 2017-01, *Clarifying the Definition of a Business*, with the objective of providing additional guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendments in this update provide new guidance to determine when an integrated set of assets and activities (collectively referred to as a "set") is not a business. The new guidance requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. The new guidance reduces the number of transactions that need to be further evaluated. The new standard, as amended, will be effective for the Company prospectively for interim and annual reporting periods beginning on January 1, 2018, with early application permitted. The Company believes that the evaluation of whether transactions should be accounted for as acquisitions (or dispositions) of assets or businesses will be simplified under the new standard.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which updates the existing guidance on accounting for leases and requires new qualitative and quantitative disclosures about the Company's leasing activities. The new standard requires the Company to recognize lease assets and lease liabilities on the balance sheet for all leases under which the Company is the lessee, including those classified as operating leases under previous accounting guidance. The new standard allows the Company to make an accounting policy election not to recognize on the balance sheet lease assets and liabilities for leases with a term of 12 months or less. The accounting applied by a lessor is largely unchanged from previous guidance. The new standard, as amended, will be effective for the Company for interim and annual reporting periods beginning on January 1, 2019, with early adoption permitted. In the adoption year, the Company will be required to recognize and measure all leases using a modified retrospective approach, which requires the restatement of each prior reporting period presented, and permits a number of optional practical expedients that the Company may elect to apply. The optional practical expedients allow the Company to use: (i) its existing assessments under current accounting standards as to the classification of a lease as operating or financing, and whether any expired or existing contracts is or contains a lease, and (ii) hindsight to determine the term of existing leases, for the purpose of restating each prior reporting period presented. The Company is currently

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evaluating when it will adopt this ASU, whether to elect the optional practical expedients and the expected impact of the adoption of this standard on its consolidated financial statements and disclosures related to leasing activities.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which will replace numerous requirements in U.S. GAAP, including industry-specific requirements, provides companies with a single revenue recognition model for recognizing revenue from contracts with customers and significantly expands the disclosure requirements for revenue arrangements. The new standard, as amended, will be effective for the Company for interim and annual reporting periods beginning on January 1, 2018. The two permitted transition methods under the new standard are the full retrospective method, in which case the standard would be applied to each prior reporting period presented, or the modified retrospective method, in which case the cumulative effect of applying the standard would be recognized at the date of initial application with disclosure of results under the new and old standards for the first year of adoption.

The Company will adopt the standard as of January 1, 2018, using the modified retrospective transition method and is currently evaluating the expected impact of the adoption on its consolidated financial statements, and related disclosures. Under the modified retrospective transition method, the Company will be required to calculate and record the cumulative effect of adopting the new standard as of January 1, 2018, in the Company's Quarterly Report on Form 10-Q for the first quarter of 2018. The Company expects to estimate the cumulative effect of adopting the new standard as of January 1, 2018 in the second half of 2017 based on expected contracts in process at December 31, 2017.

The Company has made progress toward completing its evaluation of the potential changes from adopting this new standard on its financial reporting and disclosures. Specifically, the Company has evaluated the impact of the standard on its various revenue streams. Based on progress made to date, the Company expects to recognize revenue over time on most of its contracts that are covered by current contract accounting standards by using cost inputs to measure progress toward the completion of its performance obligations, which is similar to the POC cost-to-cost method currently used on the majority of these contracts. Accordingly, the Company expects the adoption of this standard to primarily impact certain contracts currently covered by contract accounting standards that recognize revenue using the POC units-of-delivery method. Approximately 20% of the Company's net sales used the POC units-of-delivery method to recognize revenue in 2016. Upon adoption, the Company expects to recognize revenue earlier in the performance period as costs are incurred, as opposed to when units are delivered, on some of these contracts that currently use the POC units-of-delivery method to recognize revenue.

Additionally, the Company has also made progress on drafting its accounting policies affected by this standard, the redesign of internal controls over financial reporting related to the standard, as well as evaluating the expanded disclosure requirements. The Company expects to complete the evaluation of the impact of the accounting and disclosure changes on its business processes, controls and systems during the first half of 2017, and implement any changes to such business processes, controls and systems over the remainder of 2017.

Other accounting standard updates effective for interim and annual periods beginning after December 31, 2017 are not expected to have an impact on the Company's financial position, results of operations or cash flows.

5. Acquisitions and Divestitures

Business Acquisitions

The business acquisitions discussed below are included in the Company's results of operations from their respective dates of acquisition.

2017 Business Acquisitions

OceanServer Technology, Inc. (OceanServer). On March 17, 2017, the Company acquired OceanServer Technology, Inc., which has been renamed L3 OceanServer. OceanServer develops and manufactures autonomous, lightweight Unmanned Undersea Vehicles (UUVs). OceanServer has established itself within a growing specialized market, providing highly capable UUVs to a wide array of military, commercial and international customers. The goodwill recognized for this business was \$16 million, which was assigned to the Sensor Systems segment and is

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expected to be deductible for income tax purposes. The final purchase price is subject to customary adjustments for final working capital. The final purchase price allocation, which is expected to be completed in the third quarter of 2017, will be based on final appraisals and other analysis of fair values of acquired assets and liabilities. The Company does not expect that differences between the preliminary and final purchase price allocation will have a material impact on its results of operations or financial position.

Explosive Trace Detection business of Implant Sciences. On October 10, 2016, the Company entered into an asset purchase agreement (APA), to acquire the explosive trace detection (ETD) business of Implant Sciences Corporation (Implant), at which time Implant entered into Chapter 11 bankruptcy protection of the U.S. Bankruptcy Code. In December 2016, Implant received the U.S. Bankruptcy Court approval to consummate the APA. The ETD business bolsters the Company’s leadership in efficient, scalable security solutions and greatly enhances its capabilities in the global aviation security and national security markets. On January 5, 2017, the Company completed the acquisition of the ETD business for a purchase price of \$118 million, in addition to the assumption of specified liabilities, which was financed with cash on hand. The goodwill recognized for this business was \$91 million, which was assigned to the Electronic Systems segment and is expected to be deductible for income tax purposes. The final purchase price is subject to customary adjustments for final working capital. The final purchase price allocation, which is expected to be completed in the third quarter of 2017, will be based on final appraisals and other analysis of fair values of acquired assets and liabilities. The Company does not expect that differences between the preliminary and final purchase price allocation will have a material impact on its results of operations or financial position.

Net sales and income before income taxes for OceanServer and the ETD business, included in L3’s unaudited condensed consolidated statement of operations for the quarterly period ended March 31, 2017, are presented in the table below.

| | First Quarter Ended March 31, 2017 | |
|----------------------------|---------------------------------------|----|
| | (in millions) | |
| Net sales | \$ | 19 |
| Income before income taxes | \$ | 1 |

2016 Business Acquisitions

MacDonald Humfrey (Automation) Limited. On November 22, 2016, the Company acquired MacDonald Humfrey (Automation) Limited, renamed L3 MacDonald Humfrey (MacH), for a purchase price of £263 million (approximately \$327 million). The purchase price is subject to additional, contingent consideration not to exceed £30 million (approximately \$38 million) and is based on MacH’s post-acquisition financial performance for the three-year period ending December 31, 2019. The Company recorded a £23 million (approximately \$29 million) liability on the acquisition date for the fair value of the contingent consideration. The acquisition was funded from cash on hand and revolving credit borrowings that were repaid before the end of 2016. The final purchase price allocation, which is expected to be completed in the third quarter of 2017, will be based on final appraisals and other analysis of fair values of acquired assets and liabilities. The Company does not expect that differences between the preliminary and final purchase price allocations will have a material impact on its results of operations or financial position. MacH is a globally recognized leader in the deployment of operationally effective and efficient aviation checkpoint security solutions, as well as in the development of state-of-the-art process automation and collaborative robotic capabilities supporting aviation and other adjacent markets. The goodwill recognized for this business was £209 million (approximately \$261 million), which was assigned to the Electronics Systems reportable segment, and is not expected to be deductible for income tax purposes. The Company also recognized identifiable intangible assets of £43 million (approximately \$53 million) in the aggregate, which consisted of £22 million (approximately \$27 million) for technology and £21 million (approximately \$26 million) for customer relationships. Identifiable intangible assets will be amortized over a weighted average useful life of 10 years.

Micreo Limited and Aerosim. On September 30, 2016, the Company acquired Micreo Limited (Micreo) and Flight Training Acquisitions LLC (Aerosim), in separate transactions, for an aggregate purchase price of approximately \$86 million, which was financed with cash on hand. The final purchase prices are subject to customary

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adjustments for final working capital. The final purchase price allocations, which are expected to be completed in the second quarter of 2017, will be based on final appraisals and other analysis of fair values of acquired assets and liabilities. The Company does not expect that differences between the preliminary and final purchase price allocations will have a material impact on its results of operations or financial position. Microe specializes in solutions that utilize high-performance microwave, millimeter wave and photonic technology that complements the Company's wide range of sensor products and is expected to strengthen the development of the Company's future products in the higher Electronic Warfare (EW) radio frequency (RF) bandwidth. Microe currently supports a variety of airborne, land and security programs in Australia. Aerosim provides innovative, portable and flexible pilot and maintenance technician training products and provides a flight school for prospective airline pilots. Aerosim's commercial training capabilities are complementary to those offered by L3 Commercial Training Solutions. The aggregate goodwill recognized for these businesses was \$61 million, which was assigned to the Electronic Systems reportable segment, of which \$6 million is expected to be deductible for income tax purposes.

Advanced Technical Materials, Inc. (ATM) Acquisition. On January 22, 2016, the Company acquired the assets of ATM for a purchase price of \$27 million, which was financed with cash on hand. The purchase price and purchase price allocation of ATM was finalized as of September 23, 2016, with no significant changes to preliminary amounts. ATM develops and manufactures a broad product line of passive microwave waveguides and specialized coaxial components. The goodwill recognized for this business was \$20 million, which was assigned to the Communication Systems reportable segment, all of which is expected to be deductible for income tax purposes.

Business Divestitures

2017 Business Divestitures

CTC Aviation Jet Services Limited Divestiture. On March 1, 2017, the Company divested its CTC Aviation Jet Services Limited (Aviation Jet Services) Business for a sales price of £1 million. Aviation Jet Services provided non-core aircraft management and operational services as part of commercial training solutions based in the United Kingdom and was included in the Electronic Systems segment. The Company recorded a pre-tax loss of \$5 million (\$5 million after income taxes) during the quarterly period ended March 31, 2017.

L3 Coleman Aerospace Divestiture. On February 24, 2017, the Company divested its L3 Coleman Aerospace (Coleman) business for a sales price of \$15 million. The final sales price is subject to customary adjustments for final working capital. Coleman provided air-launch ballistic missile targets and was included in the Electronic Systems segment. The Company recorded a pre-tax loss of \$3 million (\$2 million after income taxes) during the quarterly period ended March 31, 2017.

Display Product Line Divestiture. On February 23, 2017, the Company divested its Display Product Line for a sales price of \$7 million. The Display Product Line provided cockpits to various military aircraft and was included in the Electronic Systems segment. The divestiture resulted in a pre-tax gain of \$4 million (\$3 million after income taxes) during the quarterly period ended March 31, 2017.

Discontinued Operations

As discussed in Note 1, on February 1, 2016, the Company completed the sale of its NSS business to CACI International Inc. for a sales price of \$547 million. The sales price was finalized as of September 23, 2016, with no significant changes to preliminary amounts.

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The table below presents the statement of operations data for NSS, which was previously a reportable segment and has been classified as a discontinued operation and includes allocated interest expense for debt not directly attributable or related to L3's other operations. Interest expense was allocated in accordance with the accounting standards for discontinued operations and was based on the ratio of NSS's net assets to the sum of: (1) total L3 consolidated net assets and (2) L3 consolidated total debt.

| | <u>First Quarter Ended</u> | |
|--|----------------------------|-----------|
| | <u>March 25, 2016</u> | |
| | (in millions) | |
| Net sales | \$ | 86 |
| Cost of sales | | (92) |
| Gain related to business divestiture | | 64 |
| Operating income from discontinued operations | | 58 |
| Interest expense allocated to discontinued operations | | — |
| Income from discontinued operations before income taxes | | 58 |
| Income tax benefit | | 5 |
| Income from discontinued operations, net of income taxes | \$ | <u>63</u> |

Unaudited Pro Forma Statements of Operations Data

The following unaudited pro forma Statements of Operations data present the combined results of the Company and its business acquisitions completed during the quarterly period ended March 31, 2017 and the year ended December 31, 2016, assuming that the business acquisitions completed during 2017 and 2016 had occurred on January 1, 2016 and January 1, 2015, respectively. The unaudited pro forma Statements of Operations data below include adjustments for additional amortization expense related to acquired intangible assets, depreciation and estimated reduction to interest income assuming the 2017 and 2016 acquisitions had occurred on January 1, 2016 and January 1, 2015, respectively.

| | <u>First Quarter Ended</u> | |
|---|--------------------------------------|------------------|
| | <u>March 31,</u> | <u>March 25,</u> |
| | <u>2017</u> | <u>2016</u> |
| | (in millions, except per share data) | |
| Pro forma net sales | \$ 2,672 | \$ 2,400 |
| Pro forma income from continuing operations attributable to L3 | \$ 164 | \$ 165 |
| Pro forma net income attributable to L3 | \$ 164 | \$ 228 |
| Pro forma diluted earnings per share from continuing operations | \$ 2.07 | \$ 2.10 |
| Pro forma diluted earnings per share | \$ 2.07 | \$ 2.89 |

The unaudited pro forma results disclosed in the table above are based on various assumptions and are not necessarily indicative of the results of operations that would have occurred had the Company completed these acquisitions on the dates indicated above.

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6. Contracts in Process

The components of contracts in process are presented in the table below.

| | March 31, 2017 | December 31, 2016 |
|--------------------------------------|-------------------|----------------------|
| | (in millions) | |
| Unbilled contract receivables, gross | \$ 2,116 | \$ 2,020 |
| Unliquidated progress payments | (807) | (827) |
| Unbilled contract receivables, net | 1,309 | 1,193 |
| Inventoried contract costs, gross | 1,113 | 1,065 |
| Unliquidated progress payments | (168) | (203) |
| Inventoried contract costs, net | 945 | 862 |
| Total contracts in process | <u>\$ 2,254</u> | <u>\$ 2,055</u> |

Inventoried Contract Costs. In accordance with contract accounting standards, the Company's U.S. Government contractor businesses account for the portion of their general and administrative (G&A), independent research and development (IRAD) and bids and proposal (B&P) costs that are allowable and reimbursable indirect contract costs under U.S. Government procurement regulations on their U.S. Government contracts (revenue arrangements) as inventoried contract costs. G&A, IRAD and B&P costs are allocated to contracts for which the U.S. Government is the end customer and are charged to costs of sales when sales on the related contracts are recognized. The Company's U.S. Government contractor businesses record the unallowable portion of their G&A, IRAD and B&P costs to expense as incurred, and do not include them in inventoried contract costs.

The table below presents a summary of G&A, IRAD and B&P costs included in inventoried contract costs and the changes to them, including amounts charged to cost of sales by the Company's U.S. Government contractor businesses for the periods presented.

| | First Quarter Ended | |
|---|---------------------|-------------------|
| | March 31, 2017 | March 25, 2016 |
| | (in millions) | |
| Amounts included in inventoried contract costs at beginning of the period | \$ 173 | \$ 137 |
| Contract costs incurred: | | |
| IRAD and B&P | 78 | 65 |
| Other G&A | 222 | 194 |
| Total | 300 | 259 |
| Amounts charged to cost of sales | (295) | (239) |
| Amounts included in inventoried contract costs at end of the period | <u>\$ 178</u> | <u>\$ 157</u> |

The table below presents a summary of selling, general and administrative expenses and research and development expenses for the Company's commercial businesses, which are expensed as incurred and included in cost of sales on the unaudited condensed consolidated statements of operations.

| | First Quarter Ended | |
|--|---------------------|-------------------|
| | March 31, 2017 | March 25, 2016 |
| | (in millions) | |
| Selling, general and administrative expenses | \$ 71 | \$ 52 |
| Research and development expenses | 15 | 11 |
| Total | <u>\$ 86</u> | <u>\$ 63</u> |

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7. Inventories

Inventories at Lower of Cost or Realizable Value. The table below presents the components of inventories at the lower of cost (first-in, first-out or average cost) or realizable value.

| | March 31, 2017 | December 31, 2016 |
|--|-------------------|----------------------|
| | (in millions) | |
| Raw materials, components and sub-assemblies | \$ 184 | \$ 165 |
| Work in process | 93 | 106 |
| Finished goods | 76 | 59 |
| Total | <u>\$ 353</u> | <u>\$ 330</u> |

8. Goodwill and Identifiable Intangible Assets

Goodwill. In accordance with the accounting standards for business combinations, the Company records the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition (commonly referred to as the purchase price allocation). The table below presents the changes in goodwill allocated to the Company's reporting units in each reportable segment.

| | Electronic Systems | Aerospace Systems | Communication Systems | Sensor Systems | Consolidated Total |
|---|-----------------------|----------------------|--------------------------|-------------------|-----------------------|
| | (in millions) | | | | |
| Goodwill ⁽¹⁾ | \$ 2,687 | \$ 1,698 | \$ 1,058 | \$ 1,559 | \$ 7,002 |
| Accumulated impairment losses | (43) | (338) | (35) | (26) | (442) |
| Balance at December 31, 2016 | <u>2,644</u> | <u>1,360</u> | <u>1,023</u> | <u>1,533</u> | <u>6,560</u> |
| Business acquisitions ⁽²⁾ | 100 | — | — | 16 | 116 |
| Business divestitures ⁽³⁾ | (12) | — | — | — | (12) |
| Foreign currency translation adjustments ⁽⁴⁾ | 8 | 2 | — | 5 | 15 |
| Balance at March 31, 2017 | <u>2,740</u> | <u>1,362</u> | <u>1,023</u> | <u>1,554</u> | <u>6,679</u> |
| Goodwill | 2,783 | 1,700 | 1,058 | 1,580 | 7,121 |
| Accumulated impairment losses | (43) | (338) | (35) | (26) | (442) |
| | <u>\$ 2,740</u> | <u>\$ 1,362</u> | <u>\$ 1,023</u> | <u>\$ 1,554</u> | <u>\$ 6,679</u> |

- (1) The business realignment in the Electronic Systems segment resulted in a reallocation of goodwill due to changes in reporting units. Goodwill was reallocated to the affected reporting units based upon their relative fair value. The changes to reporting units did not result in a goodwill impairment of any reporting unit.
- (2) The increase for the Electronic Systems segment was due to the acquisition of the ETD business and the purchase price allocation adjustment for the MacH business acquisition. The increase for the Sensor Systems segment was primarily due to the OceanServer business acquisition.
- (3) The decrease for the Electronic Systems segment was due to the divestitures of Coleman and Aviation Jet Services during the quarterly period ended March 31, 2017.
- (4) The increase in the Electronic Systems segment was due to the weakening of the U.S. dollar against the British pound and the Canadian dollar during the quarterly period ended March 31, 2017. The increase in the Aerospace Systems segment was due to the weakening of the U.S. dollar against the Canadian dollar during the quarterly period ended March 31, 2017. The increase in the Sensor Systems segment was due to the weakening of the U.S. dollar against the Australian dollar, the Euro and the British pound during the quarterly period ended March 31, 2017.

Identifiable Intangible Assets. The most significant identifiable intangible asset that is separately recognized for the Company's business acquisitions is customer contractual relationships. All of the Company's customer relationships are established through written customer contracts (revenue arrangements). The fair value for customer contractual relationships is determined, as of the date of acquisition, based on estimates and judgments regarding expectations for the estimated future after-tax earnings and cash flows (including cash flows for working capital) arising from the follow-on sales on contract (revenue arrangement) renewals expected from the customer contractual relationships over their estimated lives, including the probability of expected future contract renewals and sales, less a contributory assets charge, all of which is discounted to present value.

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Identifiable Intangible Assets. The table below presents information for the Company's identifiable intangible assets that are subject to amortization.

| | Weighted Average Amortization Period (in years) | March 31, 2017 | | | December 31, 2016 | | |
|------------------------------------|---|-----------------------------|-----------------------------|---------------------------|-----------------------------|-----------------------------|---------------------------|
| | | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| | | (in millions) | | | | | |
| Customer contractual relationships | 15 | \$ 412 | \$ 276 | \$ 136 | \$ 409 | \$ 269 | \$ 140 |
| Technology | 10 | 202 | 105 | 97 | 191 | 102 | 89 |
| Other | 18 | 21 | 12 | 9 | 21 | 12 | 9 |
| Total | 13 | <u>\$ 635</u> | <u>\$ 393</u> | <u>\$ 242</u> | <u>\$ 621</u> | <u>\$ 383</u> | <u>\$ 238</u> |

The table below presents amortization expense recorded by the Company for its identifiable intangible assets.

| | First Quarter Ended | |
|----------------------|---------------------|-------------------|
| | March 31, 2017 | March 25, 2016 |
| | (in millions) | |
| Amortization expense | <u>\$ 10</u> | <u>\$ 8</u> |

Based on gross carrying amounts at March 31, 2017, the Company's estimate of amortization expense for identifiable intangible assets for the years ending December 31, 2017 through 2021 is presented in the table below.

| | Year Ending December 31, | | | | |
|--------------------------------|--------------------------|--------------|--------------|--------------|--------------|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| | (in millions) | | | | |
| Estimated amortization expense | <u>\$ 40</u> | <u>\$ 38</u> | <u>\$ 34</u> | <u>\$ 30</u> | <u>\$ 27</u> |

9. Other Current Liabilities and Other Liabilities

The table below presents the components of other current liabilities.

| | March 31, 2017 | December 31, 2016 |
|---|-----------------------------------|----------------------|
| | (in millions) | |
| | Other Current Liabilities: | |
| Accrued product warranty costs | \$ 80 | \$ 68 |
| Estimated costs in excess of estimated contract value to complete contracts in process in a loss position | 74 | 70 |
| Accrued interest | 48 | 43 |
| Accruals for pending and threatened litigation (see Note 18) ⁽¹⁾ | 45 | 51 |
| Deferred revenues | 36 | 34 |
| Product returns allowance ⁽²⁾ | 4 | 5 |
| Other | 157 | 160 |
| Total other current liabilities | <u>\$ 444</u> | <u>\$ 431</u> |

(1) The quarterly period ended March 31, 2017 and the year ended December 31, 2016 included \$10 million and \$14 million, respectively, in connection with the EoTech matter.

(2) On March 23, 2017, the Company ended the voluntary return program for various EoTech HWS products in connection with the preliminary settlement of the class action lawsuit (See Note 18). The product returns allowance, net of refund payments made to eligible owners, was \$2 million at March 31, 2017. As of April 16, 2017, the Company had approved refunds at a cost of approximately \$36 million, with an average refund cost per unit of \$500.

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The table below presents the components of other liabilities.

| | March 31, 2017 | December 31, 2016 |
|--|-------------------|----------------------|
| | (in millions) | |
| Other Liabilities: | | |
| Non-current income taxes payable (see Note 11) | \$ 123 | \$ 124 |
| Deferred compensation | 50 | 47 |
| Accrued product warranty costs | 36 | 41 |
| Estimated contingent purchase price payable for acquired businesses (see Note 5) | 31 | 29 |
| Accrued workers' compensation | 29 | 30 |
| Notes payable and capital lease obligations | 14 | 13 |
| Other | 82 | 84 |
| Total other liabilities | \$ 365 | \$ 368 |

The table below presents the changes in the Company's accrued product warranty costs.

| | First Quarter Ended | |
|--|---------------------|-------------------|
| | March 31, 2017 | March 25, 2016 |
| | (in millions) | |
| Accrued product warranty costs:⁽¹⁾ | | |
| Balance at January 1 | \$ 109 | \$ 105 |
| Acquisitions during the period | 3 | — |
| Accruals for product warranties issued during the period | 16 | 9 |
| Settlements made during the period | (12) | (11) |
| Balance at end of period | \$ 116 | \$ 103 |

(1) Warranty obligations incurred in connection with long-term production contracts that are accounted for under the POC cost-to-cost method are included within the contract estimates at completion and are excluded from the above amounts. The balances above include both the current and non-current amounts.

10. Debt

The components of debt and a reconciliation to the carrying amount of long-term debt is presented in the table below.

| | March 31, 2017 | December 31, 2016 |
|---|-------------------|----------------------|
| | (in millions) | |
| Borrowings under Revolving Credit Facility ⁽¹⁾ | \$ — | \$ — |
| 5.20% Senior Notes due 2019 | 1,000 | 1,000 |
| 4.75% Senior Notes due 2020 | 800 | 800 |
| 4.95% Senior Notes due 2021 | 650 | 650 |
| 3.95% Senior Notes due 2024 | 350 | 350 |
| 3.85% Senior Notes due 2026 | 550 | 550 |
| Principal amount of long-term debt | 3,350 | 3,350 |
| Unamortized discounts | (8) | (8) |
| Deferred debt issue costs | (16) | (17) |
| Carrying amount of long-term debt | \$ 3,326 | \$ 3,325 |

(1) During the quarterly period ended March 31, 2017, L3's aggregate borrowings and repayments under the Credit Facility were \$664 million. At March 31, 2017, L3 had the full availability of its \$1 billion Credit Facility.

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11. Income Taxes

The Company and its subsidiaries file income tax returns in the U.S. Federal jurisdiction, which is the Company's primary tax jurisdiction, and various state and foreign jurisdictions. At March 31, 2017, the statutes of limitations for the Company's U.S. Federal income tax returns for the years ended December 31, 2010 through 2015 were open. The U.S. Internal Revenue Service (IRS) commenced audits of the Company's U.S. Federal income tax returns for the years ended 2012 and 2013. The Company cannot predict the outcome of the audits at this time.

The effective income tax rate for the quarterly period ended March 31, 2017 decreased to 22.2% from 22.3% for the quarterly period ended March 25, 2016 primarily due to the benefit from the release of a valuation allowance for capital losses partially offset by a higher income tax rate on foreign earnings.

At March 31, 2017, the Company anticipates that unrecognized tax benefits will decrease by approximately \$9 million over the next 12 months due to the potential resolution of unrecognized tax benefits involving several jurisdictions and tax periods. The actual amount of the decrease over the next 12 months could vary significantly depending on the ultimate timing and nature of any settlements.

Current and non-current income taxes payable include accrued potential interest of \$11 million (\$6 million after income taxes) at March 31, 2017 and \$11 million (\$7 million after income taxes) at December 31, 2016, and potential penalties of \$8 million at March 31, 2017 and December 31, 2016.

12. Accumulated Other Comprehensive (Loss) Income (AOCI)

The changes in the AOCI balances, including amounts reclassified from AOCI into net income, are presented in the table below.

| | Foreign currency translation | Unrealized gains (losses) on hedging instruments | Unrecognized (losses) gains and prior service cost, net | Total accumulated other comprehensive loss |
|---|------------------------------------|---|--|--|
| | (in millions) | | | |
| Balance at December 31, 2016 | \$ (178) | \$ 6 | \$ (554) | \$ (726) |
| Other comprehensive income before reclassifications, net of tax | 19 | — | — | 19 |
| Amounts reclassified from AOCI, net of tax | — | — | 9 | 9 |
| Net current period other comprehensive income | 19 | — | 9 | 28 |
| Balance at March 31, 2017 | <u>\$ (159)</u> | <u>\$ 6</u> | <u>\$ (545)</u> | <u>\$ (698)</u> |
| Balance at December 31, 2015 | \$ (101) | \$ (8) | \$ (465) | \$ (574) |
| Other comprehensive income before reclassifications, net of tax | 1 | 6 | — | 7 |
| Amounts reclassified from AOCI, net of tax | — | 1 | 8 | 9 |
| Net current period other comprehensive income | 1 | 7 | 8 | 16 |
| Balance at March 25, 2016 | <u>\$ (100)</u> | <u>\$ (1)</u> | <u>\$ (457)</u> | <u>\$ (558)</u> |

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Further details regarding the amounts reclassified from AOCI into net income are presented in the table below.

| <u>Details About AOCI Components</u> | <u>Amount Reclassified from AOCI^(a)</u> | | <u>Affected Line Item in the Unaudited Condensed Consolidated Statements of Operations</u> |
|---|--|---------------------------|--|
| | <u>First Quarter Ended</u> | | |
| | <u>March 31, 2017</u> | <u>March 25, 2016</u> | |
| | (in millions) | | |
| Loss on hedging instruments | \$ — | \$ (3) | Cost of sales-products |
| | | | Income from continuing operations |
| | — | (3) | before income taxes |
| | — | 2 | Provision for income taxes |
| | <u>\$ —</u> | <u>\$ (1)</u> | Income from continuing operations |
| Amortization of defined benefit pension items: | | | |
| Net loss | \$ (15) | \$ (12) | (b) |
| | | | Income from continuing operations |
| | (15) | (12) | before income taxes |
| | 6 | 4 | Provision for income taxes |
| | <u>\$ (9)</u> | <u>\$ (8)</u> | Income from continuing operations |
| Total reclassification for the period | <u>\$ (9)</u> | <u>\$ (9)</u> | Income from continuing operations |

(a) Amounts in parenthesis indicate charges to the unaudited condensed consolidated statements of operations.

(b) Amounts related to pension and postretirement benefit plans were reclassified from AOCI and recorded as a component of net periodic benefit cost (see Note 19 for additional information).

13. Equity

On December 4, 2014, L3's Board of Directors approved a share repurchase program that authorizes L3 to repurchase up to \$1.5 billion of its common stock through June 30, 2017. Repurchases of L3's common stock are made from time to time at management's discretion in accordance with applicable U.S. Federal securities laws. The timing and actual number of shares to be repurchased in the future will depend on a variety of factors, including, but not limited to, the Company's financial position, earnings, legal requirements, other investment opportunities (including acquisitions) and market conditions. The Company did not repurchase any shares of common stock from January 1, 2017 through March 31, 2017. All share repurchases of L3's common stock have been recorded as treasury shares.

At March 31, 2017, the remaining dollar value of authorization under the December 4, 2014 share repurchase program was \$433 million.

From April 1, 2017 through April 21, 2017, L3 repurchased 66,462 shares of its common stock at an average price of \$165.48 per share for an aggregate amount of \$11 million.

On February 13, 2017, L3's Board of Directors declared a quarterly cash dividend of \$0.75 per share, paid on March 15, 2017 to shareholders of record at the close of business on March 1, 2017. During the quarterly period ended March 31, 2017, the Company paid \$61 million of cash dividends, including a \$2 million net reduction of previously accrued dividends for employee held stock awards.

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14. L3's Earnings Per Share

A reconciliation of basic and diluted earnings per share (EPS) is presented in the table below.

| | First Quarter Ended | |
|--|---------------------|-------------------|
| | March 31, 2017 | March 25, 2016 |
| (in millions, except per share data) | | |
| Reconciliation of net income: | | |
| Net income | \$ 168 | \$ 230 |
| Net income from continuing operations attributable to noncontrolling interests | (4) | (3) |
| Net income attributable to L3's common shareholders | <u>\$ 164</u> | <u>\$ 227</u> |
| Earnings attributable to L3's common shareholders: | | |
| Continuing operations | \$ 164 | \$ 164 |
| Discontinued operations, net of income tax | — | 63 |
| Net income attributable to L3's common shareholders | <u>\$ 164</u> | <u>\$ 227</u> |
| Earnings per share attributable to L3's common shareholders: | | |
| Basic: | | |
| Weighted average common shares outstanding | <u>77.7</u> | <u>77.8</u> |
| Basic earnings per share: | | |
| Continuing operations | \$ 2.11 | \$ 2.11 |
| Discontinued operations, net of income tax | — | 0.81 |
| Net income | <u>\$ 2.11</u> | <u>\$ 2.92</u> |
| Diluted: | | |
| Common and potential common shares: | | |
| Weighted average common shares outstanding | 77.7 | 77.8 |
| Assumed exercise of stock options | 2.8 | 2.0 |
| Unvested restricted stock awards | 0.8 | 1.1 |
| Employee stock purchase plan contributions | 0.1 | 0.1 |
| Performance unit awards | 0.1 | 0.1 |
| Assumed purchase of common shares for treasury | (2.2) | (2.1) |
| Common and potential common shares | <u>79.3</u> | <u>79.0</u> |
| Diluted earnings per share: | | |
| Continuing operations | \$ 2.07 | \$ 2.08 |
| Discontinued operations, net of income tax | — | 0.79 |
| Net income | <u>\$ 2.07</u> | <u>\$ 2.87</u> |

The computation of diluted EPS excludes shares for stock options, restricted stock awards and performance unit awards contributions of 0.3 million and 1.2 million for the quarterly periods ended March 31, 2017 and March 25, 2016, respectively, as they were anti-dilutive.

15. Fair Value Measurements

L3 applies the accounting standards for fair value measurements to all of the Company's assets and liabilities that are measured and recorded at fair value. Fair value is defined as the price that would be received for an asset or the exit price that would be paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants. The standards establish a fair value hierarchy that gives the highest priority to observable inputs and the lowest priority to unobservable inputs.

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The following table presents the fair value hierarchy level for each of the Company's assets and liabilities that are measured and recorded at fair value on a recurring basis.

| Description | March 31, 2017 | | | December 31, 2016 | | |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | Level 1 ⁽¹⁾ | Level 2 ⁽²⁾ | Level 3 ⁽³⁾ | Level 1 ⁽¹⁾ | Level 2 ⁽²⁾ | Level 3 ⁽³⁾ |
| | (in millions) | | | | | |
| Assets | | | | | | |
| Cash equivalents | \$ 12 | \$ — | \$ — | \$ 104 | \$ — | \$ — |
| Derivatives (foreign currency forward contracts) | — | 11 | — | — | 12 | — |
| Total assets | <u>\$ 12</u> | <u>\$ 11</u> | <u>\$ —</u> | <u>\$ 104</u> | <u>\$ 12</u> | <u>\$ —</u> |
| Liabilities | | | | | | |
| Derivatives (foreign currency forward contracts) | \$ — | \$ 3 | \$ — | \$ — | \$ 6 | \$ — |
| Contingent consideration ⁽⁴⁾ | — | — | 31 | — | — | 29 |
| Total liabilities | <u>\$ —</u> | <u>\$ 3</u> | <u>\$ 31</u> | <u>\$ —</u> | <u>\$ 6</u> | <u>\$ 29</u> |

- (1) Level 1 is based on quoted market prices available in active markets for identical assets or liabilities as of the reporting date. Cash equivalents are primarily held in registered money market funds, which are valued using quoted market prices.
- (2) Level 2 is based on pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable. The fair value is determined using a valuation model based on observable market inputs, including quoted foreign currency forward exchange rates and consideration of non-performance risk.
- (3) Level 3 is based on pricing inputs that are not observable and not corroborated by market data.
- (4) The contingent consideration liability represents the future potential earn-out payments relating to the MacH acquisition. The fair value of the contingent consideration liability is based on a Monte Carlo Simulation of the aggregate revenue of MacH for the three-year period ending December 31, 2019. The significant unobservable inputs used in calculating the fair value of the contingent consideration include: (i) projected revenues of the MacH acquired business, (ii) company specific risk premium, which is a component of the discount rate applied to the revenue projections, (iii) and volatility. The fair value of the contingent consideration for potential earn-out payments is reassessed quarterly, including an analysis of the significant inputs used in the evaluation, as well as the accretion of the present value discount. Changes are reflected within cost of sales in the consolidated statements of operations.

The table below presents the changes to contingent consideration obligations during the quarterly period ended March 31, 2017.

| | March 31, 2017 (in millions) |
|--|---------------------------------|
| Balance at beginning of period | \$ 29 |
| Changes in fair value of contingent consideration, net | 2 |
| Balance at end of period | <u>\$ 31</u> |

16. Financial Instruments

At March 31, 2017 and December 31, 2016, the Company's financial instruments consisted primarily of cash and cash equivalents, billed receivables, trade accounts payable, Senior Notes and foreign currency forward contracts. The carrying amounts of cash and cash equivalents, billed receivables and trade accounts payable are representative of their respective fair values because of the short-term maturities or the expected settlement dates of these instruments. The carrying amounts and estimated fair values of the Company's other financial instruments are presented in the table below.

| | March 31, 2017 | | December 31, 2016 | |
|---|-----------------|----------------------|-------------------|----------------------|
| | Carrying Amount | Estimated Fair Value | Carrying Amount | Estimated Fair Value |
| | (in millions) | | | |
| Senior Notes ⁽¹⁾ | \$ 3,326 | \$ 3,542 | \$ 3,325 | \$ 3,526 |
| Foreign currency forward contracts ⁽²⁾ | \$ 8 | \$ 8 | \$ 6 | \$ 6 |

- (1) The Company measures the fair value of its Senior Notes using Level 2 inputs based primarily on current market yields for its existing debt traded in the secondary market.
- (2) The Company measures the fair values of foreign currency forward contracts based on forward exchange rates. See Note 17 for additional disclosures regarding the notional amounts and fair values of foreign currency forward contracts.

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17. Derivative Financial Instruments

The Company's derivative financial instruments include foreign currency forward contracts, which are entered into for risk management purposes.

Foreign Currency Forward Contracts. The Company's U.S. and foreign businesses enter into contracts with customers, subcontractors or vendors that are denominated in currencies other than their functional currencies. To protect the functional currency equivalent cash flows associated with certain of these contracts, the Company enters into foreign currency forward contracts. The Company's activities involving foreign currency forward contracts are designed to hedge the changes in the functional currency equivalent cash flows due to movements in foreign exchange rates compared to the functional currency. The foreign currencies hedged are primarily the U.S. dollar, the Euro, the Canadian dollar and the British pound. The Company manages exposure to counterparty non-performance credit risk by entering into foreign currency forward contracts only with major financial institutions that are expected to fully perform under the terms of such contracts. Foreign currency forward contracts are recorded in the Company's condensed consolidated balance sheets at fair value and are generally designated and accounted for as cash flow hedges in accordance with the accounting standards for derivative instruments and hedging activities. Gains and losses on designated foreign currency forward contracts that are highly effective in offsetting the corresponding change in the cash flows of the hedged transactions are recorded net of income taxes in AOCI and then recognized in income when the underlying hedged transaction affects income. Gains and losses on foreign currency forward contracts that do not meet hedge accounting criteria are recognized in income immediately. Notional amounts are used to measure the volume of foreign currency forward contracts and do not represent exposure to foreign currency losses. The table below presents the notional amounts of the Company's outstanding foreign currency forward contracts by currency at March 31, 2017.

| Currency | Notional Amounts (in millions) |
|-----------------|-----------------------------------|
| U.S. dollar | \$ 109 |
| Euro | 98 |
| Canadian dollar | 73 |
| British pound | 35 |
| Other | 16 |
| Total | \$ 331 |

At March 31, 2017, the Company's foreign currency forward contracts had maturities through 2021.

The table below presents the location of the Company's derivative instruments recorded at fair value on the condensed consolidated balance sheets.

| | March 31, 2017 | | | | December 31, 2016 | | | |
|---|----------------------------|-----------------|---------------------------------|----------------------|----------------------------|-----------------|---------------------------------|----------------------|
| | Other Current Assets | Other Assets | Other Current Liabilities | Other Liabilities | Other Current Assets | Other Assets | Other Current Liabilities | Other Liabilities |
| | (in millions) | | | | | | | |
| Derivatives designated as hedging instruments: | | | | | | | | |
| Foreign currency forward contracts ⁽¹⁾ | \$ 9 | \$ 2 | \$ 3 | \$ — | \$ 10 | \$ 2 | \$ 6 | \$ — |
| Total derivative instruments | \$ 9 | \$ 2 | \$ 3 | \$ — | \$ 10 | \$ 2 | \$ 6 | \$ — |

(1) See Note 15 for a description of the fair value hierarchy related to the Company's foreign currency forward contracts.

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The effect from foreign currency forward contracts on the unaudited condensed consolidated statements of operations was a pre-tax loss of \$3 million for the quarterly period ended March 25, 2016. At March 31, 2017, the estimated net amount of existing gains that are expected to be reclassified into income within the next 12 months was \$6 million.

18. Commitments and Contingencies

Procurement Regulations

A substantial majority of the Company's revenues are generated from providing products and services under legally binding agreements or contracts with the U.S. Government, foreign government customers and state and local governments. U.S. Government contracts are subject to extensive legal and regulatory requirements, and, from time to time, agencies of the U.S. Government investigate whether such contracts were and are being conducted in accordance with these requirements. The Company is currently cooperating with the U.S. Government on several investigations from which civil, criminal or administrative proceedings have or could result and give rise to fines, penalties, compensatory and treble damages, restitution and/or forfeitures, including investigations into the pricing of certain contracts entered into by the Communication Systems segment. The Company does not currently anticipate that any of these investigations will have a material adverse effect, individually or in the aggregate, on its consolidated financial position, results of operations or cash flows. However, under U.S. Government regulations, an indictment of the Company by a federal grand jury, or an administrative finding against the Company as to its present responsibility to be a U.S. Government contractor or subcontractor, could result in the Company being suspended for a period of time from eligibility for awards of new government contracts or task orders or in a loss of export privileges. A conviction, or an administrative finding against the Company that satisfies the requisite level of seriousness, could result in debarment from contracting with the federal government for a specified term. In addition, all of the Company's U.S. Government contracts: (1) are subject to audit and various pricing and cost controls, (2) include standard provisions for termination for the convenience of the U.S. Government or for default and (3) are subject to cancellation if funds for contracts become unavailable. Foreign government contracts generally include comparable provisions relating to terminations for convenience or default, as well as other procurement clauses relevant to the foreign government.

Litigation Matters

The Company is also subject to litigation, proceedings, claims or assessments and various contingent liabilities incidental to its businesses, including those specified below. Furthermore, in connection with certain business acquisitions, the Company has assumed some or all claims against, and liabilities of, such acquired businesses, including both asserted and unasserted claims and liabilities.

In accordance with the accounting standard for contingencies, the Company records a liability when management believes that it is both probable that a liability has been incurred and the Company can reasonably estimate the amount of the loss. Generally, the loss is recorded at the amount the Company expects to resolve the liability. The estimated amounts of liabilities recorded for pending and threatened litigation are disclosed in Note 9. Amounts recoverable from insurance contracts or third parties are recorded as assets when deemed probable. At March 31, 2017, the Company recorded approximately \$34.5 million of receivables for recoveries from insurance contracts or third parties in connection with the amount of liabilities recorded for pending and threatened litigation. Legal defense costs are expensed as incurred. The Company believes it has recorded adequate provisions for its litigation matters. The Company reviews these provisions to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular matter. While it is reasonably possible that an unfavorable outcome may occur in one or more of the following matters, unless otherwise stated below, the Company believes that it is not probable that a loss has been incurred in any of these matters. With respect to the litigation matters below for which it is reasonably possible that an unfavorable outcome may occur, an estimate of loss or range of loss is disclosed when such amount or amounts can be reasonably estimated. Although the Company believes that it has valid defenses with respect to legal matters and investigations pending against it, the results of litigation can be difficult to predict, particularly those involving jury trials. Therefore, it is possible that one or more of the following or other contingencies could have a material impact on the financial position, results of operations or cash flows of the Company in future periods.

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EoTech Class Actions. During 2015 and 2016, five putative class action complaints against the Company were filed in the United States District Court for the Western District of Missouri alleging that the Company's EoTech business unit knowingly sold defective holographic weapons sights (see Andrew Tyler Foster, et al., v. L-3 Communications EoTech, Inc., et al., Case No. 6:15 CV 03519 BCW). In October 2016, the parties reached a settlement in principle to resolve the allegations in these cases. On February 15, 2017, the Company received preliminary approval from the court to settle the five class action consumer lawsuits filed. Following an agreed-to notice period in which any contentions from objectors are addressed, the court, in its discretion and following a fairness hearing that has been scheduled for June 30, 2017, will order final approval of the settlement and the litigation will be resolved. Any final approval order from the court is subject to appeal. Prior to final resolution of this litigation, either party retains rights to withdraw from the settlement under circumstances delineated in the settlement agreement. There are numerous risks associated with this settlement, including that the court finds that the settlement is not fair and adequate to the class members or for any other reason that the court deems appropriate to withhold final approval. If final approval does not occur, the litigation would recommence. As of March 31, 2017, the Company has accrued the amount deemed appropriate for this matter.

Securities Class Action. In August 2014, three separate, putative class actions were filed in the United States District Court for the Southern District of New York (the District Court) against the Company and certain of its officers. These cases were consolidated into a single action on October 24, 2014. A consolidated amended complaint was filed in the District Court on December 22, 2014, which was further amended and restated on March 13, 2015. The complaint alleges violations of federal securities laws related to misconduct and accounting errors identified by the Company at its Aerospace Systems segment, and seeks monetary damages, pre- and post-judgment interest, and fees and expenses. On March 30, 2016, the District Court dismissed with prejudice all claims against the Company's officers and allowed the claim against the Company to proceed to discovery. On December 20, 2016, the parties reached an agreement in principle to resolve this matter for \$34.5 million, subject to the execution of definitive settlement documents and final court approval. On February 22, 2017, the parties executed a final settlement agreement. On March 10, 2017, the court preliminarily approved the settlement. In accordance with the settlement agreement, the Company's insurers have paid the settlement amount into an escrow account that will be used to fully fund the settlement subject to the terms of the settlement agreement. A fairness hearing for the proposed settlement has been scheduled for August 10, 2017.

401(k) Plan Class Action. On June 24, 2016, a putative class action was filed in the United States District Court for the Southern District of New York on behalf of participants in and beneficiaries of a Company-sponsored 401(k) plan. An amended complaint was filed on September 29, 2016. The amended complaint alleged that certain of the Company's officers breached fiduciary duties owed under the Employee Retirement Income Security Act by making the Company's stock available as an investment alternative under the plan during a period prior to the disclosure of misconduct and accounting errors identified by the Company at its Aerospace Systems segment. The complaint sought, among other things, monetary damages, equitable relief, pre-judgment interest, and fees and expenses. On December 2, 2016, the matter was voluntarily dismissed without prejudice. On January 27, 2017, a new putative class action was filed in the United States District Court for the Southern District of New York on behalf of the same 401(k) participants and beneficiaries, asserting substantially similar claims against the same officers of the Company. On March 28, 2017, the Company moved to dismiss the action. The Company believes the suit lacks merit and intends to defend against it vigorously. The Company is unable to reasonably estimate any amount or range of loss, if any, that may be incurred in connection with this matter because the proceedings are in their early stages.

Derivative Action. On July 13, 2016, a shareholder derivative complaint was filed in the Supreme Court of New York, County of New York, against certain of the Company's current and former directors and officers. The complaint alleges, among other things, that the defendants breached fiduciary duties, caused corporate waste and were unjustly enriched in connection with misconduct and accounting errors identified by the Company at its Aerospace Systems segment. The complaint seeks monetary damages, pre- and post-judgment interest, equitable relief and fees and expenses on behalf of the Company. The Company believes the suit lacks merit and intends to defend itself vigorously. The Company is unable to reasonably estimate any amount or range of loss, if any, that may be incurred in connection with this matter because the proceedings are in their early stages.

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HVC Alkmaar. On July 23, 2014, a notice of claim was received by our former JovyAtlas business unit. The notice relates to losses resulting from a fire that occurred at an HVC Alkmaar bio-energy plant on July 21, 2013. The notice states that the fire resulted from the failure of an uninterruptible power supply (UPS) to provide sufficient power to act as a back-up energy supply, alleges that JovyAtlas was the manufacturer and service provider for the UPS and claims €11 million in estimated property damages and €35 million in estimated business interruption damages. The Company has tendered the notice of claim to its insurance carriers.

19. Pension and Other Postretirement Benefits

The following table summarizes the components of net periodic benefit cost for the Company’s pension and other postretirement benefit plans.

| | Pension Plans | | Postretirement Benefit Plans | |
|---|---------------------|-------------------|------------------------------|-------------------|
| | First Quarter Ended | | First Quarter Ended | |
| | March 31, 2017 | March 25, 2016 | March 31, 2017 | March 25, 2016 |
| | (in millions) | | | |
| Components of net periodic benefit cost: | | | | |
| Service cost | \$ 29 | \$ 27 | \$ 1 | \$ 1 |
| Interest cost | 35 | 35 | 1 | 1 |
| Expected return on plan assets | (53) | (51) | (1) | (1) |
| Amortization of prior service costs (credits) | — | — | — | (1) |
| Amortization of net loss | 16 | 13 | (1) | — |
| Net periodic benefit cost | \$ 27 | \$ 24 | \$ — | \$ — |

Contributions. The Company contributed cash of \$4 million to its pension plans and \$2 million to its other postretirement benefit plans during the quarterly period ended March 31, 2017. The Company expects to contribute an additional \$96 million to its pension plans and \$8 million to its other postretirement benefit plans during the remainder of 2017.

20. Stock-Based Compensation

During the quarterly period ended March 31, 2017, the Company granted stock-based awards under the Amended and Restated 2008 Long Term Performance Plan in the form of stock options, restricted stock units and performance units. The stock-based compensation awards granted during the quarterly period ended March 31, 2017 are further discussed below.

Stock Options. The Company granted 363,939 stock options with a weighted average exercise price of \$168.80 per option, which was equal to the closing price of L3’s common stock on the date of grant. The options expire 10 years after the date of grant and vest ratably over a three-year period on the annual anniversary of the date of grant. The options granted to the Company’s Chairman and Chief Executive Officer are also subject to performance-based vesting conditions. The weighted average grant date fair value for the options of \$27.18 per option was estimated using the Black-Scholes option-pricing model. The weighted average assumptions used in the valuation model for this grant are presented in the table below.

| | |
|------------------------------------|-------|
| Expected holding period (in years) | 5.2 |
| Expected volatility | 20.1% |
| Expected dividend yield | 2.0% |
| Risk-free interest rate | 2.0% |

Restricted Stock Units. The Company granted 285,787 restricted stock units with a weighted average grant date fair value of \$168.80 per share. Restricted stock units typically vest three years after the grant date for employees and one year after the grant date for non-employee directors, or if earlier, on the date of the first annual stockholders meeting held after the grant date. The restricted stock units automatically convert into shares of L3’s common stock

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upon vesting. The grant date fair value of the restricted stock unit awards is based on L3’s closing stock price at the date of grant and is generally recognized as compensation expense on a straight-line basis over the vesting period. However, for employees who attain retirement eligibility status prior to the end of the three-year cliff vesting period and who have provided at least one year of service after the date of grant, compensation expense is recognized over the shorter period from the date of grant to the retirement eligibility date. For grants of restricted stock units made during the quarterly period ended March 31, 2017, retirement eligible employees are those employees that either: (1) have attained the age of 60 and completed at least five years of service (which service must be continuous through the date of termination except for a single break in service that does not exceed one year in length) or (2) have attained the age of 65 (without regard to their length of service at L3).

Performance Units. The Company granted 33,883 performance units with a weighted average grant date fair value per unit of \$168.80. The final payout for these units is based on the achievement of pre-determined EPS goals established by the compensation committee of the Company’s Board of Directors for the three-year period ending December 31, 2019. Units earned can range from zero to 200% of the original number of units awarded, which are converted into shares of L3’s common stock.

21. Supplemental Cash Flow Information

| | First Quarter Ended | |
|-----------------------------------|---------------------|-------------------|
| | March 31, 2017 | March 25, 2016 |
| | (in millions) | |
| Interest paid on outstanding debt | \$ 37 | \$ 36 |
| Income tax payments | \$ 20 | \$ 12 |
| Income tax refunds | \$ 5 | \$ 1 |

22. Segment Information

The Company has four reportable segments, which are described in Note 1. The Company evaluates the performance of its operating segments and reportable segments based on their sales, operating income and operating margin. Corporate expenses are allocated to the Company’s operating segments using an allocation methodology prescribed by U.S. Government regulations for government contractors. Accordingly, segment results include all costs and expenses, except for goodwill impairment charges and certain other items that are excluded by management for purposes of evaluating the operating performance of the Company’s business segments.

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The tables below present net sales, operating income, depreciation and amortization and total assets by reportable segment.

| | First Quarter Ended | |
|---------------------------------------|---------------------|-------------------|
| | March 31, 2017 | March 25, 2016 |
| (in millions) | | |
| Net Sales: | | |
| Aerospace Systems | \$ 1,045 | \$ 1,007 |
| Electronic Systems | 760 | 615 |
| Communication Systems | 543 | 477 |
| Sensor Systems | 354 | 290 |
| Elimination of intercompany sales | (33) | (36) |
| Consolidated total | <u>\$ 2,669</u> | <u>\$ 2,353</u> |
| Operating Income: | | |
| Aerospace Systems | \$ 69 | \$ 106 |
| Electronic Systems | 91 | 85 |
| Communication Systems | 43 | 51 |
| Sensor Systems | 50 | 10 |
| Consolidated total | <u>\$ 253</u> | <u>\$ 252</u> |
| Depreciation and amortization: | | |
| Aerospace Systems | \$ 13 | \$ 13 |
| Electronic Systems | 18 | 14 |
| Communication Systems | 12 | 12 |
| Sensor Systems | 11 | 11 |
| Consolidated total | <u>\$ 54</u> | <u>\$ 50</u> |
| (in millions) | | |
| Total Assets: | | |
| Electronic Systems | \$ 4,576 | \$ 4,369 |
| Aerospace Systems | 2,776 | 2,535 |
| Communication Systems | 2,099 | 2,031 |
| Sensor Systems | 2,482 | 2,433 |
| Corporate | 231 | 497 |
| Consolidated total | <u>\$ 12,164</u> | <u>\$ 11,865</u> |

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FINANCIAL STATEMENTS — CONTINUED

23. Severance and Restructuring Costs

Consistent with the Company’s strategy to continuously improve its cost structure and right-size its businesses, especially in view of U.S. defense budget constraints, L3 is completing employment reduction actions across several of its businesses to reduce both direct and indirect costs, including overhead and general and administrative costs. As a result of these initiatives and due to the impact of U.S. defense budget constraints at certain affected business units, the Company recorded a total of \$14 million of severance and restructuring costs, with respect to approximately 200 employees during the quarterly period ended March 31, 2017. During the year ended December 31, 2016, the Company recorded a total of \$17 million of severance and restructuring costs with respect to approximately 700 employees. Severance and restructuring costs are reported within cost of sales on the unaudited condensed consolidated statements of operations. The remaining balance to be paid in connection with these initiatives was \$19 million at March 31, 2017 and \$9 million at December 31, 2016, which is expected to be paid primarily by the end of 2017. Severance and restructuring costs incurred by reportable segment are presented in the table below.

| Reportable Segment | First Quarter Ended | |
|---------------------------|----------------------------|------------------|
| | March 31, | March 25, |
| | 2017 | 2016 |
| | (in millions) | |
| Electronic Systems | \$ 3 | \$ — |
| Aerospace Systems | — | — |
| Communication Systems | 9 | 1 |
| Sensor Systems | 2 | 1 |
| Consolidated | \$ 14 | \$ 2 |

24. Condensed Combining Financial Information of L3 and Its Subsidiaries

The debt of L3, including the Senior Notes and borrowings under amounts drawn against the Credit Facility, are guaranteed, on a joint and several, full and unconditional basis, by certain of its domestic subsidiaries (the “Guarantor Subsidiaries”). See Note 9 to the audited consolidated financial statements for the year ended December 31, 2016, included in the Company’s Annual Report on Form 10-K for additional information. The foreign subsidiaries and certain domestic subsidiaries of L3 (the “Non-Guarantor Subsidiaries”) do not guarantee the debt of L3. None of the debt of L3 has been issued by its subsidiaries.

Under the terms of the indentures governing the Senior Notes, the guarantees of the Senior Notes will automatically and unconditionally be released and discharged: (1) upon the release of all guarantees of all other outstanding indebtedness of L3, or (2) upon the determination that such guarantor is no longer a “domestic subsidiary.” In addition, the guarantees of the Senior Notes will be automatically and unconditionally released and discharged in the event of a sale or other disposition of all of the assets of any guarantor, by way of merger, consolidation or otherwise, or a sale of all of the capital stock of such guarantor. There are no restrictions on the payment of dividends from the Guarantor Subsidiaries to L3.

On December 31, 2016, the Company completed an internal reorganization to eliminate its holding company structure. Pursuant to the reorganization, L-3 Communications Holdings, Inc. was merged (the Merger) with and into L-3 Communications Corporation (L-3 Corp), with L-3 Corp being the surviving entity in the Merger (the Surviving Entity). Immediately following the completion of the Merger, the name of the Surviving Entity was changed to L3 Technologies, Inc. For more information on the Merger, see Note 1 in the Company’s annual report on Form 10-K for the year ended December 31, 2016.

L3 TECHNOLOGIES, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS — CONTINUED

The following unaudited condensed combining financial information presents the results of operations, financial position and cash flows of: (1) L3 excluding its consolidated subsidiaries (the Parent), (2) the Guarantor Subsidiaries, (3) the Non-Guarantor Subsidiaries and (4) the eliminations to arrive at the information for L3 on a consolidated basis. As a result of the Merger, prior year amounts have been recast to conform to the current year presentation.

| | <u>L3</u> | <u>Guarantor Subsidiaries</u> | <u>Non- Guarantor Subsidiaries</u> | <u>Eliminations</u> | <u>Consolidated L3</u> |
|--|------------------|-----------------------------------|--|---------------------|----------------------------|
| | (in millions) | | | | |
| Condensed Combining Balance Sheets: | | | | | |
| At March 31, 2017: | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 58 | \$ 1 | \$ 195 | \$ (24) | \$ 230 |
| Billed receivables, net | 247 | 353 | 202 | — | 802 |
| Contracts in process | 733 | 1,260 | 261 | — | 2,254 |
| Other current assets | 246 | 227 | 113 | — | 586 |
| Total current assets | 1,284 | 1,841 | 771 | (24) | 3,872 |
| Goodwill | 2,385 | 3,099 | 1,195 | — | 6,679 |
| Other assets | 695 | 611 | 307 | — | 1,613 |
| Investment in and amounts due from consolidated subsidiaries | 6,074 | 4,741 | — | (10,815) | — |
| Total assets | <u>\$ 10,438</u> | <u>\$ 10,292</u> | <u>\$ 2,273</u> | <u>\$ (10,839)</u> | <u>\$ 12,164</u> |
| Current liabilities | \$ 811 | \$ 934 | \$ 508 | \$ (24) | \$ 2,229 |
| Amounts due to consolidated subsidiaries | — | — | 289 | (289) | — |
| Other long-term liabilities | 1,570 | 204 | 33 | — | 1,807 |
| Long-term debt | 3,326 | — | — | — | 3,326 |
| Total liabilities | 5,707 | 1,138 | 830 | (313) | 7,362 |
| L3 shareholders' equity | 4,731 | 9,154 | 1,443 | (10,597) | 4,731 |
| Noncontrolling interests | — | — | — | 71 | 71 |
| Total equity | 4,731 | 9,154 | 1,443 | (10,526) | 4,802 |
| Total liabilities and equity | <u>\$ 10,438</u> | <u>\$ 10,292</u> | <u>\$ 2,273</u> | <u>\$ (10,839)</u> | <u>\$ 12,164</u> |

L3 TECHNOLOGIES, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS — CONTINUED

| | <u>L3</u> | <u>Guarantor Subsidiaries</u> | <u>Non- Guarantor Subsidiaries</u> (in millions) | <u>Eliminations</u> | <u>Consolidated L3</u> |
|--|------------------|-----------------------------------|---|---------------------|----------------------------|
| At December 31, 2016: | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 291 | \$ 1 | \$ 207 | \$ (136) | \$ 363 |
| Billed receivables, net | 261 | 285 | 185 | — | 731 |
| Contracts in process | 694 | 1,125 | 236 | — | 2,055 |
| Other current assets | 236 | 187 | 125 | — | 548 |
| Total current assets | <u>1,482</u> | <u>1,598</u> | <u>753</u> | <u>(136)</u> | <u>3,697</u> |
| Goodwill | 2,380 | 3,007 | 1,173 | — | 6,560 |
| Other assets | 705 | 591 | 312 | — | 1,608 |
| Investment in and amounts due from consolidated subsidiaries | 5,649 | 5,650 | — | (11,299) | — |
| Total assets | <u>\$ 10,216</u> | <u>\$ 10,846</u> | <u>\$ 2,238</u> | <u>\$ (11,435)</u> | <u>\$ 11,865</u> |
| Current liabilities | \$ 789 | \$ 1,022 | \$ 460 | \$ (136) | \$ 2,135 |
| Amounts due to consolidated subsidiaries | — | — | 284 | (284) | — |
| Other long-term liabilities | 1,549 | 200 | 32 | — | 1,781 |
| Long-term debt | 3,325 | — | — | — | 3,325 |
| Total liabilities | <u>5,663</u> | <u>1,222</u> | <u>776</u> | <u>(420)</u> | <u>7,241</u> |
| L3 shareholders' equity | 4,553 | 9,624 | 1,462 | (11,086) | 4,553 |
| Noncontrolling interests | — | — | — | 71 | 71 |
| Total equity | <u>4,553</u> | <u>9,624</u> | <u>1,462</u> | <u>(11,015)</u> | <u>4,624</u> |
| Total liabilities and equity | <u>\$ 10,216</u> | <u>\$ 10,846</u> | <u>\$ 2,238</u> | <u>\$ (11,435)</u> | <u>\$ 11,865</u> |

L3 TECHNOLOGIES, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS — CONTINUED

| | L3 | Guarantor Subsidiaries | Non- Guarantor Subsidiaries | Eliminations | Consolidated L3 |
|--|---------------|---------------------------|-----------------------------------|-----------------|--------------------|
| | (in millions) | | | | |
| Condensed Combining Statements of Operations: | | | | | |
| For the quarter ended March 31, 2017: | | | | | |
| Total net sales | \$ 862 | \$ 1,507 | \$ 373 | \$ (73) | \$ 2,669 |
| Total cost of sales | (777) | (1,399) | (313) | 73 | (2,416) |
| Operating income | 85 | 108 | 60 | — | 253 |
| Interest expense | (42) | — | — | — | (42) |
| Interest and other income, net | 3 | — | 2 | — | 5 |
| Income from continuing operations before income taxes | 46 | 108 | 62 | — | 216 |
| Provision for income taxes | (10) | (24) | (14) | — | (48) |
| Equity in net income of consolidated subsidiaries | 128 | — | — | (128) | — |
| Net income | 164 | 84 | 48 | (128) | 168 |
| Net income attributable to noncontrolling interests | — | — | — | (4) | (4) |
| Net income attributable to L3 | <u>\$ 164</u> | <u>\$ 84</u> | <u>\$ 48</u> | <u>\$ (132)</u> | <u>\$ 164</u> |
| Comprehensive income attributable to L3 | <u>\$ 192</u> | <u>\$ 84</u> | <u>\$ 68</u> | <u>\$ (152)</u> | <u>\$ 192</u> |
| For the quarter ended March 25, 2016: | | | | | |
| Total net sales | \$ 822 | \$ 1,185 | \$ 409 | \$ (63) | \$ 2,353 |
| Total cost of sales | (739) | (1,068) | (357) | 63 | (2,101) |
| Operating income | 83 | 117 | 52 | — | 252 |
| Interest expense | (41) | — | — | — | (41) |
| Interest and other income, net | 3 | — | 1 | — | 4 |
| Income from continuing operations before income taxes | 45 | 117 | 53 | — | 215 |
| Provision for income taxes | (10) | (26) | (12) | — | (48) |
| Equity in net income of consolidated subsidiaries | 192 | — | — | (192) | — |
| Income from continuing operations | 227 | 91 | 41 | (192) | 167 |
| Income from discontinued operations, net of income tax | — | 63 | — | — | 63 |
| Net income | 227 | 154 | 41 | (192) | 230 |
| Net income attributable to noncontrolling interests | — | — | — | (3) | (3) |
| Net income attributable to L3 | <u>\$ 227</u> | <u>\$ 154</u> | <u>\$ 41</u> | <u>\$ (195)</u> | <u>\$ 227</u> |
| Comprehensive income attributable to L3 | <u>\$ 243</u> | <u>\$ 162</u> | <u>\$ 41</u> | <u>\$ (203)</u> | <u>\$ 243</u> |

L3 TECHNOLOGIES, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS — CONTINUED

| | L3 | Guarantor Subsidiaries | Non- Guarantor Subsidiaries | Eliminations | Consolidated L3 |
|---|---------------|---------------------------|-----------------------------------|--------------|--------------------|
| | (in millions) | | | | |
| Condensed Combining Statements of Cash Flows | | | | | |
| For the quarterly period ended March 31, 2017: | | | | | |
| Operating activities: | | | | | |
| Net cash from (used in) operating activities from continuing operations | \$ 144 | \$ (85) | 67 | \$ (41) | \$ 85 |
| Investing activities: | | | | | |
| Business acquisitions, net of cash acquired | (139) | — | — | — | (139) |
| Proceeds from sale of businesses, net of closing date cash balances | 15 | — | 1 | — | 16 |
| Other investing activities | (16) | (17) | (3) | — | (36) |
| Net cash used in investing activities from continuing operations | (140) | (17) | (2) | — | (159) |
| Financing activities: | | | | | |
| Dividends paid on L3's common stock | (61) | — | — | — | (61) |
| Other financing activities | (176) | 102 | (81) | 153 | (2) |
| Net cash (used in) from financing activities from continuing operations | (237) | 102 | (81) | 153 | (63) |
| Effect of foreign currency exchange rate changes on cash | — | — | 4 | — | 4 |
| Net decrease in cash | (233) | — | (12) | 112 | (133) |
| Cash and cash equivalents, beginning of the period | 291 | 1 | 207 | (136) | 363 |
| Cash and cash equivalents, end of the period | \$ 58 | \$ 1 | \$ 195 | \$ (24) | \$ 230 |

For the quarterly period ended March 25, 2016:**Operating activities:**

| | | | | | |
|---|-------|--------|---------|---------|--------|
| Net cash from (used in) operating activities from continuing operations | \$ 46 | \$ 117 | \$ (32) | \$ (19) | \$ 112 |
|---|-------|--------|---------|---------|--------|

Investing activities:

| | | | | | |
|---|------|------|------|---|------|
| Business acquisitions, net of cash acquired | (27) | — | — | — | (27) |
| Proceeds from sale of businesses, net of closing date cash balance | 576 | — | — | — | 576 |
| Other investing activities | 3 | (12) | (10) | — | (19) |
| Net cash from (used in) investing activities from continuing operations | 552 | (12) | (10) | — | 530 |

Financing activities:

| | | | | | |
|---|--------|------|--------|--------|--------|
| Common stock repurchased | (198) | — | — | — | (198) |
| Dividends paid on L3's common stock | (58) | — | — | — | (58) |
| Other financing activities | (130) | (46) | 66 | 107 | (3) |
| Net cash (used in) from financing activities from continuing operations | (386) | (46) | 66 | 107 | (259) |
| Net decrease in cash and cash equivalents of discontinued operations | — | (56) | — | — | (56) |
| Net increase in cash | 212 | 3 | 24 | 88 | 327 |
| Cash and cash equivalents, beginning of the period | 137 | — | 165 | (95) | 207 |
| Cash and cash equivalents, end of the period | \$ 349 | \$ 3 | \$ 189 | \$ (7) | \$ 534 |

ITEM 2.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS**

Overview and Outlook

L3's Business

L3 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. L3 is also a leading provider of a broad range of communication and electronic systems and products used on military and commercial platforms. Our customers include the United States (U.S.) Department of Defense (DoD) and its prime contractors, U.S. Government intelligence agencies, the U.S. Department of Homeland Security (DHS), foreign governments, and domestic and international commercial customers.

At December 31, 2016, we had the following three reportable segments: (1) Electronic Systems, (2) Aerospace Systems and (3) Communication Systems. Effective March 1, 2017, we realigned our Electronic Systems segment, which was separated into two segments named: (1) Electronic Systems and (2) Sensor Systems. Accordingly, our current structure consists of the following four segments: (1) Electronic Systems, (2) Aerospace Systems, (3) Communication Systems and (4) Sensor Systems. Electronic Systems provides a broad range of products and services for military and commercial customers in several niche markets across several business areas. The business areas are: Precision Engagement and Training, Power & Propulsion Systems, Aviation Products, Security & Detection Systems and Link U.S. operations. Aerospace Systems delivers integrated solutions for the global ISR market and provides engineering, modernization, upgrade, sustainment, and maintenance and logistics support for a wide variety of aircraft and ground systems. Aerospace Systems sells these products and services primarily to the DoD and select foreign governments. The business areas are: ISR Systems, Aircraft Systems and Vertex Aerospace. Communication Systems delivers products and services for the global communications market, specializing in strategic and tactical space, airborne, ground and sea-based communication systems. Communication Systems sells these products and services primarily to the DoD and select foreign governments. The business areas are: Broadband Communication Systems, Advanced Communications and Space & Power Systems. Sensor Systems provides diverse sensor technologies for land, sea, air, space and cyber domains to military and commercial customers. The business areas are: Integrated Sensor Systems, Warrior Systems, Ocean Systems and Advanced Programs. We report our segment results for all periods presented under the realigned business segments for the prior year to be consistent with the current presentation.

On December 7, 2015, we entered into a definitive agreement to sell our National Security Solutions (NSS) business to CACI International Inc. The transaction was completed on February 1, 2016. NSS provided cybersecurity solutions, high-performance computing, enterprise IT services, analytics and intelligence analysis to the DoD, U.S. Government intelligence agencies, federal civilian agencies and foreign governments. In accordance with Accounting Standards Update (ASU) 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*, the results of operations of NSS are reported as discontinued operations for all periods presented. Accordingly, all references made to financial data in this Quarterly Report on Form 10-Q are to L3's continuing operations, unless specifically noted.

Financial information with respect to our segments is included in Results of Operations within this section, Note 22 to our unaudited condensed consolidated financial statements and Note 21 to our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2016.

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For the year ended December 31, 2016, we generated sales of \$10,511 million, and our primary end customer was the DoD. The table below presents a summary of our consolidated 2016 sales by major category of end customer and the percent contributed by each to our consolidated 2016 sales.

| | <u>2016 Sales</u> (in millions) | <u>% of</u> <u>2016 Sales</u> |
|-------------------------------------|------------------------------------|----------------------------------|
| DoD | \$ 7,299 | 70% |
| Other U.S. Government | 350 | 3 |
| Total U.S. Government | 7,649 | 73% |
| International (foreign governments) | 1,580 | 15 |
| Commercial — international | 732 | 7 |
| Commercial — domestic | 550 | 5 |
| Total sales | <u>\$ 10,511</u> | <u>100%</u> |

We currently expect the composition of our 2017 consolidated sales to the U.S. Government and to international and commercial customers to remain approximately the same as compared to 2016.

Business Environment

U.S. Government Markets. Sales to U.S. Government customers represented 73% of our 2016 sales and were primarily to DoD customers, which comprised 70% of our consolidated sales. Therefore, our annual sales are generally highly correlated to changes in U.S. Government spending levels, especially DoD budget levels.

The total DoD budget for FY 2015 was \$560 billion, a decline of 4% as compared to the FY 2014 budget due to a decrease in the Overseas Contingency Operations (OCO) budget. The FY 2015 base budget remained substantially unchanged from FY 2014 at \$497 billion, while the OCO budget decreased by \$22 billion. The total DoD budget for FY 2016 was \$581 billion, an increase of 4% compared to FY 2015. The increase is due to a base budget of \$522 billion, higher by \$25 billion compared to FY 2015. The FY 2016 OCO budget declined slightly to \$59 billion compared to \$63 billion for FY 2015.

On February 9, 2016, the Obama Administration submitted its FY 2017 DoD Budget Request. The total FY 2017 DoD Budget Request is \$583 billion (\$524 billion base budget, \$59 billion OCO), which is substantially unchanged compared to the appropriated FY 2016 DoD budget. However, the FY 2017 DoD Budget Request was not approved or appropriated by Congress before October 1, 2016, and FY 2017 began with a Continuing Resolution (CR) to fund the government, which expires on April 28, 2017. The CR maintains funding at the current FY 2016 appropriated level resulting in a prohibition on new program starts and multi-year contract awards. On December 23, 2016, President Obama signed the FY 2017 National Defense Authorization Act (NDAA), which includes defense spending priorities and guidelines but does not appropriate money for those items. The NDAA largely supports the FY17 DoD Budget Request.

Furthermore, the Bipartisan Budget Act of 2015 (BBA), which suspended the debt ceiling through March 15, 2017 and raised spending caps previously enacted by Congress under the Budget Control Act of 2011 (BCA), places spending caps on defense programs. The BBA target for the DoD base budget is \$524 billion for FY 2017 and \$59 billion for the FY 2017 OCO funding. The BBA, however, does not change the previously enacted BCA sequestration cuts after FY 2017. The BCA specifies base budget spending caps and can only be changed through law enacted by Congress.

Future DoD budgets and spending levels are determined by a number of factors beyond our control, including changes to U.S. procurement policies, current and future domestic and international budget conditions, presidential administration priorities and changing national security and defense requirements. Furthermore, the U.S. Government's overall fiscal challenges remain, including uncertainties regarding BCA sequestration cuts scheduled to resume in FY 2018. While we expect Congress to appropriate an FY17 DoD budget, in amounts at least equal to those proposed by the Obama Administration, it is possible that the CR is extended beyond April 27, 2017. The Trump Administration is expected to submit its FY18 DoD budget request to Congress in May 2017. We expect that Congress will continue to provide relief to DoD FY18 DoD budget from the full BCA sequestration cuts, as Congress provided for the DoD budgets for FY13 to FY17. Although, we cannot predict the outcome of these efforts, which could have an impact on the Company, we believe that L3 will benefit from several of the DoD's focus areas such

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as ISR, unmanned systems, undersea warfare, precision strike, secure communications, missile defense and space programs, electronic warfare, aircraft readiness and the ability to project power in denied environments. (For more information on the risks and uncertainties related to our U.S. Government contracts, see “Part I — Item 1A — Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2016).

International and Commercial Markets

Sales to end customers other than the U.S. Government represented 27% of our 2016 sales. These sales are generally affected by global economic conditions, geopolitical and security conditions and commodity prices, as well as our competitive success in winning new business and increasing market share. We believe that L3 will benefit from a large addressable international market with sales directly to foreign allied governments and under Foreign Military Sales (FMS) agreements between the U.S. Government and foreign governments. Although our international sales are experiencing near-term softness, we believe the focus of our international markets in areas such as ISR, simulators, communication systems, night vision products and sensor systems will benefit L3 in the long term. We also believe that the commercial markets in which we participate, such as aviation products, security and screening, simulation and training, and radio frequency microwave and power, have long term favorable fundamentals.

Key Performance Measures

The primary financial performance measures that we use to manage our businesses and monitor results of operations are (i) sales, (ii) operating income and (iii) net cash from operating activities (Operating Cash Flow). Management believes that these financial performance measures are the primary growth drivers for our earnings per share and cash flow per common share. Generally, in evaluating our businesses and contract performance, we focus on net sales, operating income, operating margin, which we define as operating income as a percentage of sales, and Operating Cash Flow, and not the type or amount of operating costs.

One of our primary business objectives is to increase sales organically and through select business acquisitions. We define organic sales as net sales excluding the sales impact of acquisitions and divestitures. Sales declines related to business divestitures are sales from divestitures that are included in our actual results for the twelve-month period prior to the divestitures. Sales increases related to acquired businesses are sales from acquisitions that are included in our actual results for less than twelve-month period. We expect to supplement, strengthen and enhance our existing businesses by selectively acquiring businesses that: (1) add important new technologies and products, (2) provide access to select customers, programs and contracts and (3) provide attractive returns on investment. Another important financial performance measure that we use is operating margin, because sales growth combined with operating margin levels determine our operating income levels. Operating Cash Flow is also an important financial performance measure because Operating Cash Flow measures our ability to convert operating income into cash after paying income taxes and interest expenses and investing in working capital.

Sales Trend. For the quarter ended March 31, 2017 (2017 First Quarter), consolidated net sales of \$2,669 million increased by \$316 million, or 13%, compared to the quarter ended March 25, 2016 (2016 First Quarter). Organic sales increased by \$270 million, or 11%, for the 2017 First Quarter. Organic sales exclude \$51 million of sales increases related to business acquisitions and \$5 million of sales declines related to business divestitures. See “Results of Operations,” including segment results below, for a further discussion of sales.

For the year ended December 31, 2016, our largest contract (revenue arrangement) in terms of annual sales was the Fort Rucker Maintenance Support contract with the U.S. Army Aviation and Missile Life Cycle Management Command (AMCOM), which is included in our Aerospace Systems segment. Under this contract, which generated approximately 4% of our sales in the 2017 First Quarter and for the year ended December 31, 2016, we provide maintenance, logistics and other related sustainment support services for rotary wing aircraft assigned to Fort Rucker and satellite units in Alabama. Our period of performance under this contract continues through September 30, 2017. We are one of several contractors expected to bid on the re-competition of this contract and expect an award decision in the second half of 2017.

We derived approximately 70% of our 2016 sales from DoD customers, and, as a result, our sales are highly correlated to DoD budget levels. DoD budgets are a function of several factors and uncertainties beyond our control, including, but not limited to, changes in U.S. procurement policies, budget considerations, current and future economic conditions, presidential administration priorities, U.S. military engagements, changing national security and defense requirements, geo-political developments, actual fiscal year congressional appropriations for defense budgets, and sequestration and other DoD budget reductions. Any of these factors could result in a significant

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increase, decrease or redirection of DoD budgets and impact L3's future results of operations, including our sales and operating income growth rates. Additionally, L3's future results of operations will be affected by our ability to retain our existing business, including our revenue arrangements with DoD customers, and to successfully re-compete for existing business and compete for new business, which largely depends on: (1) our successful performance on existing contracts, (2) the effectiveness and innovation of our technologies and research and development activities, (3) our ability to offer better program performance than our competitors at an affordable cost and (4) our ability to retain our employees and hire new ones, particularly those employees who have U.S. Government security clearances, particularly those with clearances of top-secret and above. We expect our 2017 consolidated sales to increase by approximately 3% compared to 2016, including an organic sales increase of 2%. We expect organic international sales to increase by approximately 1% and organic sales to the DoD and U.S. Government to increase by approximately 2%. We expect organic commercial sales to increase by approximately 3% primarily for commercial aviation products.

Operating Income Trend. Operating income for the 2017 First Quarter was \$253 million, an increase of \$1 million from \$252 million for the 2016 First Quarter. Our operating income as a percentage of sales (operating margin) was 9.5% for the 2017 First Quarter, a decrease of 120 basis points from 10.7% for the 2016 First Quarter. See "Results of Operations", including segment results below, for a further discussion of operating margin.

Our effective management of labor, material, subcontractor and other direct costs is an important element of cost control and favorable contract performance. We believe that proactively re-sizing our businesses to their anticipated sales, combined with continuous cost improvement, will enable us to increase our cost competitiveness. While we continue to undertake cost management actions, such as reducing our indirect costs, resizing select business units and improving our productivity and contract performance in an effort to maintain or even increase operating margin, these efforts may not be successful and may be partially or fully offset by other cost increases. Although we expect our 2017 annual operating margin to increase as compared to 2016, changes in the competitive environment and DoD procurement practices, lower consolidated sales and changes in annual pension expense, including related assumptions such as the benefit obligation discount rates, among other factors, could result in lower operating margin. Furthermore, select business acquisitions and new business, including contract renewals and new contracts, could have lower future operating margins compared to our operating margins on existing contracts and could reduce future operating margins.

Operating Cash Flow Trend. Operating Cash Flow of \$85 million for the 2017 First Quarter decreased by \$27 million compared to \$112 million for the 2016 First Quarter. The decrease of Operating Cash Flow was due to higher uses of cash for working capital in the 2017 First Quarter compared to the 2016 First Quarter, primarily related to higher billed receivables, contracts in process and bonus payments, partially offset by higher add backs for non-cash expenses.

Other Events

CTC Aviation Jet Services Limited Divestiture. On March 1, 2017, we divested our CTC Aviation Jet Services Limited (Aviation Jet Services) for a sales price of £1 million. Aviation Jet Services provided non-core aircraft management and operational services as part of commercial training solutions based in the United Kingdom and was included in the Electronic Systems segment. We recorded a pre-tax loss of \$5 million (\$5 million after income taxes) during the 2017 First Quarter.

L3 Coleman Aerospace Divestiture. On February 24, 2017, we divested our L3 Coleman Aerospace (Coleman) business for a sales price of \$15 million. The final sales price is subject to customary adjustments for final working capital. Coleman provided air-launch ballistic missile targets and was included in the Electronic Systems segment. We recorded a pre-tax loss of \$3 million (\$2 million after income taxes) during the 2017 First Quarter.

Display Product Line Divestiture. On February 23, 2017, we divested our Display Product Line for a sales price of \$7 million. The Display Product Line provided cockpits to various military aircraft and was included in the Electronic Systems segment. The divestiture resulted in a pre-tax gain of \$4 million (\$3 million after income taxes) during the 2017 First Quarter.

Discontinued Operations. On February 1, 2016, we completed the sale of our NSS business to CACI International Inc. for a sales price of \$547 million. The sales price was finalized as of September 23, 2016, with no significant changes to preliminary amounts.

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The table below presents the statement of operations data for NSS, which was previously a reportable segment and has been classified as a discontinued operation and includes allocated interest expense for debt not directly attributable or related to L3's other operations. Interest expense was allocated in accordance with the accounting standards for discontinued operations and was based on the ratio of NSS's net assets to the sum of: (1) total L3 consolidated net assets and (2) L3 consolidated total debt. See Note 5 to the unaudited condensed consolidated financial statements for additional information.

| | <u>First Quarter Ended</u> <u>March 25, 2016</u> <u>(in millions)</u> | |
|--|---|-----------|
| Net sales | \$ | 86 |
| Cost of sales | | (92) |
| Gain related to business divestiture | | 64 |
| Operating income from discontinued operations | | 58 |
| Interest expense allocated to discontinued operations | | — |
| Income from discontinued operations before income taxes | | 58 |
| Income tax benefit | | 5 |
| Income from discontinued operations, net of income taxes | \$ | <u>63</u> |

Business Acquisitions and Divestitures

Our Annual Report on Form 10-K summarizes the business acquisitions and divestitures that we completed during the three years ended December 31, 2016. During the 2017 First Quarter, we completed the acquisition of the explosive trace detection (ETD) business of Implant Sciences Corporation (Implant), for a purchase price of \$118 million, in addition to the assumption of specified liabilities, which was financed with cash on hand. We also acquired OceanServer Technology, Inc., renamed L3 OceanServer, which develops and manufactures autonomous, lightweight Unmanned Undersea Vehicles. Business acquisitions are included in our consolidated results of operations from their dates of acquisition. See Note 5 to our unaudited condensed consolidated financial statements contained in this quarterly report for a further discussion of our business acquisitions and divestitures during the 2017 First Quarter.

Results of Operations

The following information should be read in conjunction with our unaudited condensed consolidated financial statements contained in this quarterly report. Our results of operations for the periods presented are affected by our business acquisitions and divestitures.

Consolidated Results of Operations

The table below provides L3's selected financial data, excluding discontinued operations, for the 2017 First Quarter compared with the 2016 First Quarter.

| (in millions, except per share data) | <u>First Quarter Ended</u> | | |
|--|---------------------------------|---------------------------------|---------------------------------|
| | <u>March 31,</u> <u>2017</u> | <u>March 25,</u> <u>2016</u> | <u>Increase/ (decrease)</u> |
| Net sales | \$ 2,669 | \$ 2,353 | 13% |
| Operating income | \$ 253 | \$ 252 | —% |
| Operating margin | 9.5% | 10.7% | (120) bpts |
| Interest expense and other | \$ (37) | \$ (37) | —% |
| Effective income tax rate | 22.2% | 22.3% | (10) bpts |
| Net income from continuing operations attributable to L3 | \$ 164 | \$ 164 | —% |
| Diluted earnings per share from continuing operations | \$ 2.07 | \$ 2.08 | —% |
| Diluted weighted average common shares outstanding | 79.3 | 79.0 | —% |

Net Sales: For the 2017 First Quarter, consolidated net sales of \$2,669 million increased \$316 million, or 13%, compared to the 2016 First Quarter. Organic sales increased by \$270 million, or 11%, to \$2,618 million for the 2017

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First Quarter. Organic sales exclude \$51 million of sales increases related to business acquisitions and \$5 million of sales declines related to business divestitures. For the 2017 First Quarter, organic sales to the U.S. Government increased \$218 million, or 13%, to \$1,950 million and organic sales to international and commercial customers increased \$52 million, or 8%, to \$668 million.

Sales from products increased by \$177 million to \$1,600 million for the 2017 First Quarter, compared to \$1,423 million for the 2016 First Quarter. Sales from products represented approximately 60% of consolidated net sales for the 2017 First Quarter and the 2016 First Quarter. Sales from products increased by: (1) \$60 million for Precision Engagement and Training primarily due to increased deliveries of fuzing and ordnance products for U.S. Army and U.S. Air Force (USAF) weapon systems, guidance and control products for the U.S. Army Paladin weapon system and higher volume on simulation and training devices, (2) \$58 million for Broadband Communication Systems due to increased volume and deliveries of secure networked communication systems to the U.S. DoD and deliveries of tactical communication terminals to the U.S. military, (3) \$39 million due to business acquisitions, net of divestitures and (4) \$20 million for Warrior Systems driven by \$13 million of lower return allowances and deliveries of specialized night vision equipment to the Australian Defence Force (ADF).

Sales from services increased by \$139 million to \$1,069 million for the 2017 First Quarter, compared to \$930 million for the 2016 First Quarter. Sales from services represented approximately 40% of consolidated net sales for the 2017 First Quarter and the 2016 First Quarter. Sales from services increased primarily by: (1) \$60 million for Vertex Aerospace due to higher volume for the U.S. Army C-12 contract, the new USAF KC-10 contractor logistics support contract, U.S. Navy (USN) and USAF training aircraft and aviation support for the U.S. Army rotary wing training aircraft at Fort Rucker, (2) \$27 million primarily for increased task order volume on U.S. Government contracts, (3) \$10 million due to higher volume on new awards for simulation and training devices to the USAF and a foreign military and (4) \$7 million due to business acquisitions, net of divestitures.

Operating income and operating margin: Operating income for the 2017 First Quarter increased by \$1 million compared to the 2016 First Quarter. Operating margin decreased by 120 basis points to 9.5% for the 2017 First Quarter, compared to 10.7% for the 2016 First Quarter. The decrease in operating margin was driven primarily by lower favorable contract performance adjustments, primarily at Aerospace Systems and higher severance and restructuring costs, primarily at Communications Systems. See the reportable segment results below for additional discussion of our operating margin trends.

Effective income tax rate: The effective tax rate for the 2017 First Quarter decreased to 22.2% from 22.3%, primarily due to the benefit from the release of a valuation allowance for capital losses, offset by a higher income tax rate on foreign earnings.

Diluted EPS from continuing operations: Diluted EPS from continuing operations was \$2.07 for the 2017 First Quarter compared to \$2.08 for the 2016 First Quarter.

Diluted weighted average common shares outstanding: Diluted weighted average common shares outstanding for the 2017 First Quarter increased slightly compared to the 2016 First Quarter due to changes in the dilutive impact of common share equivalents, primarily caused by a higher L3 stock price.

Reportable Segment Results of Operations

The table below presents selected data by reportable segment reconciled to consolidated totals.

| | First Quarter Ended | |
|---------------------------------|----------------------------|---------------------------|
| | March 31, 2017 | March 25, 2016 |
| (dollars in millions) | | |
| Net sales:⁽¹⁾ | | |
| Electronic Systems | \$ 737 | \$ 593 |
| Aerospace Systems | 1,045 | 1,005 |
| Communication Systems | 537 | 471 |
| Sensor Systems | 350 | 284 |
| Consolidated net sales | <u>\$ 2,669</u> | <u>\$ 2,353</u> |
| Operating income: | | |
| Electronic Systems | \$ 91 | \$ 85 |
| Aerospace Systems | 69 | 106 |
| Communication Systems | 43 | 51 |
| Sensor Systems | 50 | 10 |
| Consolidated operating income | <u>\$ 253</u> | <u>\$ 252</u> |
| Operating margin: | | |
| Electronic Systems | 12.3% | 14.3% |
| Aerospace Systems | 6.6% | 10.5% |
| Communication Systems | 8.0% | 10.8% |
| Sensor Systems | 14.3% | 3.5% |
| Consolidated operating margin | <u>9.5%</u> | <u>10.7%</u> |

(1) Net sales after intercompany eliminations.

Electronic Systems

| | First Quarter Ended | | |
|-----------------------|----------------------------|---------------------------|---------------------------------|
| | March 31, 2017 | March 25, 2016 | Increase/ (decrease) |
| (dollars in millions) | | | |
| Net sales | \$ 737 | \$ 593 | 24.3% |
| Operating income | \$ 91 | \$ 85 | 7.1% |
| Operating margin | 12.3% | 14.3% | (200) bpts |

Electronic Systems net sales for the 2017 First Quarter increased by \$144 million, or 24%, compared to the 2016 First Quarter. Organic sales increased by \$101 million, or 17%, compared to the 2016 First Quarter. Organic sales exclude \$48 million of sales increases related to business acquisitions and \$5 million of sales declines related to business divestitures. Organic sales increased by: (1) \$68 million for Precision Engagement and Training primarily due to increased deliveries of fuzing and ordnance products for U.S. Army and USAF weapon systems, guidance and control products for the U.S. Army Paladin weapon system and higher volume on simulation and training devices, (2) \$22 million for Aviation Products primarily due to deliveries of aviation recorders and traffic and collision avoidance systems for commercial airline customers and higher volume of overhaul and repair services for cockpit displays and aviation recorders for the U.S. military and (3) \$11 million for Power & Propulsion primarily due to higher volume on the USN guided destroyer modernization program and ship board integrated and monitoring systems for a foreign navy customer.

Electronic Systems operating income for the 2017 First Quarter increased by \$6 million, or 7%, compared to the 2016 First Quarter. Operating margin decreased by 200 basis points to 12.3%. Operating margin decreased by: (1) 150 basis points due to net gains and losses related to business divestitures in the first quarters of 2016 and 2017,

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(2) 130 basis points for lower favorable contract performance adjustments across several business areas and (3) 70 basis points due to lower margins related to acquisitions and higher severance expense of \$3 million. These decreases were partially offset by 150 basis points primarily due to higher sales volume.

Aerospace Systems

| | First Quarter Ended | | Increase/ (decrease) |
|------------------|-----------------------|-------------------|-------------------------|
| | March 31, 2017 | March 25, 2016 | |
| | (dollars in millions) | | |
| Net sales | \$ 1,045 | \$ 1,005 | 4.0% |
| Operating income | \$ 69 | \$ 106 | (34.9)% |
| Operating margin | 6.6% | 10.5% | (390) bpts |

Aerospace Systems net sales for the 2017 First Quarter increased by \$40 million, or 4%, compared to the 2016 First Quarter. Sales increased \$60 million for Vertex Aerospace and \$17 million for ISR Systems. These increases were partially offset by lower sales of \$37 million for Aircraft Systems. Sales increased for Vertex Aerospace primarily due to higher volume for: (1) the U.S. Army C-12 contract, (2) the new USAF KC-10 contractor logistics support contract, (3) USN and USAF training aircraft and (4) aviation support for the U.S. Army rotary wing training aircraft at Fort Rucker. At ISR Systems, higher volume for special mission aircraft and large ISR aircraft systems for the U.S. Government was partially offset by lower volume for large ISR aircraft systems for foreign military customers as contracts near completion and small ISR aircraft fleet management services on a completed USAF contract. Sales decreased for Aircraft Systems primarily due to lower volume for international aircraft modifications and reduced deliveries for aircraft cabin assemblies as contracts near completion.

Aerospace Systems operating income for the 2017 First Quarter decreased by \$37 million, or 35%, compared to the 2016 First Quarter. Operating margin decreased by 390 basis points to 6.6%. Operating margin decreased by: (1) 230 basis points due to lower favorable contract performance adjustments, primarily at ISR Systems, (2) 90 basis points due to a higher than planned price adjustment in the 2016 First Quarter in ISR Systems that did not recur and (3) 70 basis points due to sales mix changes.

Communication Systems

| | First Quarter Ended | | Increase/ (decrease) |
|------------------|-----------------------|-------------------|-------------------------|
| | March 31, 2017 | March 25, 2016 | |
| | (dollars in millions) | | |
| Net sales | \$ 537 | \$ 471 | 14.0% |
| Operating income | \$ 43 | \$ 51 | (15.7)% |
| Operating margin | 8.0% | 10.8% | (280) bpts |

Communication Systems net sales for the 2017 First Quarter increased by \$66 million, or 14%, compared to the 2016 First Quarter. The increase was primarily driven by Broadband Communication Systems due to increased volume and deliveries of secure networked communication systems to the U.S. DoD and deliveries of tactical communication terminals to the U.S. military.

Communication Systems operating income for the 2017 First Quarter decreased by \$8 million, or 16%, compared to the 2016 First Quarter. Operating margin decreased by 280 basis points to 8.0%. Operating margin decreased by: (1) 170 basis points due to higher severance and restructuring expenses of \$9 million, primarily in Space & Power Systems related to the previously announced consolidation of the Company's traveling-wave tube businesses and (2) 110 basis points primarily due to sales mix changes at Broadband Communication Systems.

Sensor Systems

| | <u>First Quarter Ended</u> | | <u>Increase</u> |
|------------------|---------------------------------|---------------------------------|-----------------|
| | <u>March 31,</u> <u>2017</u> | <u>March 25,</u> <u>2016</u> | |
| | (dollars in millions) | | |
| Net sales | \$ 350 | \$ 284 | 23.2% |
| Operating income | \$ 50 | \$ 10 | 400.0% |
| Operating margin | 14.3% | 3.5% | 1,080 bpts |

Sensor Systems net sales for the 2017 First Quarter increased by \$66 million, or 23%, compared to the 2016 First Quarter. Organic sales increased by \$64 million, or 23%, compared to the 2016 First Quarter. Organic sales exclude \$2 million of sales increases related to business acquisitions. Organic sales increased by: (1) \$29 million for Integrated Sensor Systems primarily due to increased deliveries of airborne turret systems to foreign military customers and higher volume for space electronics and infrared detection products, (2) \$20 million for Warrior Systems primarily driven by \$13 million of lower return allowances and deliveries of specialized night vision equipment to the ADF and (3) \$15 million primarily for Advanced Programs due to increased task order volume on U.S. Government contracts.

Sensor Systems operating income for the 2017 First Quarter increased by \$40 million compared to the 2016 First Quarter. Operating margin increased to 14.3%. Operating margin increased by: (1) 440 basis points due to lower return allowances, (2) 340 basis points primarily for improved contract performance at Ocean Systems and (3) 300 basis points due to higher sales volume primarily at Integrated Sensor Systems.

Liquidity and Capital Resources

Anticipated Sources and Uses of Cash Flow

At March 31, 2017, we had total cash and cash equivalents of \$230 million as compared to \$363 million at December 31, 2016. While no amounts of the cash and cash equivalents are considered restricted, \$183 million of cash was held by our foreign subsidiaries at March 31, 2017. The repatriation of cash held in non-U.S. jurisdictions is subject to local capital requirements, as well as income tax considerations. Our primary sources of liquidity are cash flow generated from operations, cash on hand and our five-year unsecured \$1 billion revolving credit facility (Credit Facility), which we entered into on October 31, 2016. At March 31, 2017, we had the full availability of our Credit Facility. We generated \$85 million of net cash from operating activities from continuing operations during the 2017 First Quarter, and we received net cash proceeds of \$21 million primarily for the divestitures of Coleman, Aviation Jet Services and the Display Product Line. Significant cash uses during the 2017 First Quarter included \$139 million for business acquisitions, \$61 million related to the payment of dividends and \$42 million related to capital expenditures.

We currently believe that our cash from operating activities generated during the year, together with our cash on hand, and available borrowings under our Credit Facility, will be adequate for the foreseeable future to meet our anticipated requirements for working capital, capital expenditures, defined benefit plan contributions, commitments, contingencies, research and development expenditures, select business acquisitions (depending on the size), program and other discretionary investments, interest payments, income tax payments, L3 dividends and share repurchases.

Balance Sheet

Billed receivables increased by \$71 million to \$802 million at March 31, 2017, from \$731 million at December 31, 2016, primarily due to the timing of billings and collections for ISR Systems, Aircraft Systems and Vertex Aerospace and \$6 million from business acquisitions. These increases were partially offset by decreases for Warrior Systems.

Contracts in process increased by \$199 million to \$2,254 million at March 31, 2017, from \$2,055 million at December 31, 2016. During the 2017 First Quarter, contracts in process increased: (1) \$2 million for business acquisitions, (2) \$2 million for foreign currency translation adjustments and (3) \$205 million comprised of:

- increases of \$122 million in unbilled contract receivables primarily due to sales exceeding billings for ISR Systems and Vertex Aerospace, and

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- increases of \$83 million in inventoried contract costs primarily due to the timing of deliveries for Broadband Communication Systems, Space & Power Systems, Precision Engagement and Training, Sensor Systems and Warrior Systems.

The Coleman divestiture decreased contracts in process by \$10 million.

L3's receivables days sales outstanding (DSO) was 72 at March 31, 2017, compared with 66 at December 31, 2016 and 72 at March 25, 2016. We calculate our DSO by dividing: (1) our aggregate end of period billed receivables and net unbilled contract receivables by (2) our trailing 12 month sales adjusted, on a pro forma basis, to include sales from business acquisitions and exclude sales from business divestitures that we completed as of the end of the period and discontinued operations, multiplied by the number of calendar days in the trailing 12 month period (371 days at March 31, 2017, 366 days at December 31, 2016 and 364 days at March 25, 2016). Our trailing 12 month pro forma sales were \$10,920 million at March 31, 2017, \$10,655 million at December 31, 2016 and \$10,273 million at March 25, 2016. The increase in DSO during the 2017 First Quarter was primarily due to an increase in billed and unbilled receivables, which is discussed above, and the increase in our trailing 12 month pro forma sales.

Inventories increased by \$23 million to \$353 million at March 31, 2017, from \$330 million at December 31, 2016, due to acquisitions, primarily the ETD business and for Security & Detection Systems to support customer demand.

The increase in other current assets was primarily due to prepayments to suppliers and insurance payments for annual policies.

Goodwill increased by \$119 million to \$6,679 million at March 31, 2017 from \$6,560 million at December 31, 2016. The table below presents the changes in goodwill by segment.

| | Electronic Systems | Aerospace Systems | Communication Systems | Sensor Systems | Consolidated Total |
|---|-----------------------|----------------------|--------------------------|-------------------|-----------------------|
| | (in millions) | | | | |
| Balance at December 31, 2016⁽¹⁾ | \$ 2,644 | \$ 1,360 | \$ 1,023 | \$ 1,533 | \$ 6,560 |
| Business acquisitions ⁽²⁾ | 100 | — | — | 16 | 116 |
| Business dispositions ⁽³⁾ | (12) | — | — | — | (12) |
| Foreign currency translation adjustments ⁽⁴⁾ | 8 | 2 | — | 5 | 15 |
| Balance at March 31, 2017 | \$ 2,740 | \$ 1,362 | \$ 1,023 | \$ 1,554 | \$ 6,679 |

(1) The business realignment in the Electronic Systems segment resulted in a reallocation of goodwill due to changes in reporting units. Goodwill was reallocated to the affected reporting units based upon their relative fair value. The changes to reporting units did not result in a goodwill impairment of any reporting unit.

(2) The increase for the Electronic Systems segment was due to the acquisition of the ETD business and the purchase price allocation adjustment for the MacDonald Humfrey (Automation) Limited business acquisition. The increase for the Sensor Systems segment was primarily due to the OceanServer business acquisition.

(3) The decrease for the Electronic Systems segment was due to the divestitures of Coleman and Aviation Jet Services during the quarterly period ended March 31, 2017.

(4) The increase in the Electronic Systems segment was due to the weakening of the U.S. dollar against the British pound and the Canadian dollar during the quarterly period ended March 31, 2017. The increase in the Aerospace Systems segment was due to the weakening of the U.S. dollar against the Canadian dollar during the quarterly period ended March 31, 2017. The increase in the Sensor Systems segment was due to the weakening of the U.S. dollar against the Australian dollar, the Euro and the British pound during the quarterly period ended March 31, 2017.

The increase in identifiable intangible assets was primarily due to \$21 million of intangible assets recognized for the business acquisitions, primarily the ETD business and OceanServer business acquisitions, partially offset by the Aviation Jet Services business divestiture, as well as amortization expense.

The increase in accounts payable and accrued expenses was primarily due to the timing of when invoices for purchases from third party vendors and subcontractors were received and payments were made.

Accrued employment costs decreased primarily due to the payment of annual management incentive bonuses during the 2017 First Quarter and lower accrued salaries and wages due to the timing of payroll dates at the end of the 2017 First Quarter compared to the end of 2016.

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The increase in deferred tax liabilities was primarily due to the tax amortization of certain goodwill and other identifiable intangible assets during the 2017 First Quarter.

Statement of Cash Flows

2017 First Quarter Compared with 2016 First Quarter

The table below provides a summary of our cash flows from (used in) operating, investing, and financing activities for the periods indicated.

| | First Quarter Ended | | |
|---|---------------------|-------------------|--------------------------------------|
| | March 31, 2017 | March 25, 2016 | Cash Flow Increase/ (Decrease) |
| | | | (in millions) |
| Net cash from operating activities from continuing operations | \$ 85 | \$ 112 | \$ (27) |
| Net cash (used in) from investing activities from continuing operations | (159) | 530 | (689) |
| Net cash used in financing activities from continuing operations | (63) | (259) | 196 |

Operating Activities

We generated \$85 million of cash from operating activities during the 2017 First Quarter, a decrease of \$27 million compared to the 2016 First Quarter. The decrease of cash from operating activities was due to higher uses of cash for working capital in the 2017 First Quarter compared to the 2016 First Quarter, primarily related to higher billed receivables, contracts in process and bonus payments, partially offset by higher add backs for non-cash expenses. The net cash from changes in operating assets and liabilities is further discussed above under “Liquidity and Capital Resources — Balance Sheet”.

Investing Activities

During the 2017 First Quarter, we used \$159 million of cash from investing activities, which included \$139 million of cash used from business acquisitions and \$42 million for capital expenditures partially offset by cash generated of \$16 million for business divestitures. During the 2016 First Quarter, we generated \$530 million of cash, which included \$576 million of net proceeds received from the NSS divestiture, partially offset by \$27 million used for the acquisition of Advanced Technical Materials, Inc. and \$35 million for capital expenditures.

Financing Activities

Debt

At March 31, 2017, total outstanding debt was \$3,326 million, compared to \$3,325 million at December 31, 2016, all of which was senior debt. At March 31, 2017, there were no borrowings or letters of credit outstanding under our Credit Facility. Accordingly, we had the full availability of our \$1 billion facility for future borrowings. We also had \$428 million of outstanding standby letters of credit with financial institutions covering performance and financial guarantees per contractual requirements with certain customers at March 31, 2017. These standby letters of credit may be drawn upon in the event that we do not perform on certain of our contractual requirements. At March 31, 2017, our outstanding debt matures between October 15, 2019 and December 15, 2026. See Note 10 to our unaudited condensed consolidated financial statements contained in this quarterly report for the components of our debt at March 31, 2017.

We consider our credit rating as an important element of our capital allocation strategy and, while no assurances can be given, we intend to maintain our investment grade credit rating. Our senior unsecured credit rating from both Standard and Poor’s and Fitch Ratings is BBB- with a stable outlook and our senior unsecured credit rating from Moody’s Investors Service is Baa3 with a stable outlook.

Debt Covenants and Other Provisions. The Credit Facility and Senior Notes contain financial and/or other restrictive covenants. See Note 9 to our audited consolidated financial statements for the year ended December 31, 2016, included in our Annual Report on Form 10-K, for a description of our debt, related financial covenants and cross default provisions. At March 31, 2017, we were in compliance with our financial and other restrictive covenants.

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Guarantees. The borrowings under the Credit Facility are fully and unconditionally guaranteed by L3 and by substantially all of the material 100% owned domestic subsidiaries of L3 on an unsecured senior basis. The payment of principal and premium, if any, and interest on the Senior Notes is fully and unconditionally guaranteed, on an unsecured senior basis, jointly and severally, by L3's material 100% owned domestic subsidiaries that guarantee any of its other indebtedness. The guarantees of the Credit Facility and the Senior Notes rank pari passu with each other.

Equity

Repurchases of L3's common stock, under the share repurchase program approved by the Board of Directors, are made from time to time at management's discretion, in accordance with applicable U.S. Federal securities laws. The timing and actual number of shares to be repurchased in the future will depend on a variety of factors, including our financial position, earnings, legal requirements, other investment opportunities (including acquisitions), market conditions and other factors. The Company did not record any repurchases of common stock from January 1, 2017 through March 31, 2017. All share repurchases of L3's common stock have been recorded as treasury shares.

At March 31, 2017, the remaining dollar value under share repurchase programs authorized by our Board of Directors was \$433 million. From April 1, 2017 through April 21, 2017, we repurchased 66,462 shares of our common stock at an average price of \$165.48 per share for an aggregate amount of \$11 million.

During the 2017 First Quarter, our Board of Directors authorized the quarterly cash dividends in the table below.

| <u>Date Declared</u> | <u>Record Date</u> | <u>Cash Dividend Per Share</u> | <u>Total Cash Dividends Declared</u> (in millions) | <u>Date Paid</u> |
|----------------------|--------------------|------------------------------------|---|------------------|
| February 13, 2017 | March 1, 2017 | \$ 0.75 | \$ 59 ⁽¹⁾ | March 15, 2017 |

(1) During the 2017 First Quarter, we paid \$61 million of cash dividends, including a \$2 million net reduction of previously accrued dividends for employee held stock awards.

Legal Proceedings and Contingencies

For a discussion of legal proceedings and contingencies that could impact our results of operations, financial condition or cash flows, see Note 18 to our unaudited condensed consolidated financial statements contained in this quarterly report.

Forward-Looking Statements

Certain of the matters discussed in this report, including information regarding the Company's 2017 financial outlook, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than historical facts may be forward-looking statements, such as "may," "will," "should," "likely," "projects," "expects," "anticipates," "intends," "plans," "believes," "estimates," and similar expressions are used to identify forward-looking statements. We caution investors that these statements are subject to risks and uncertainties many of which are difficult to predict and generally beyond our control that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. Some of the factors that could cause actual results to differ include, but are not limited to, the following: our dependence on the defense industry; backlog processing and program slips resulting from delayed awards and/or funding from the DoD and other major customers; the U.S. Government fiscal situation; changes in DoD budget levels and spending priorities; U.S. Government failure to raise the debt ceiling; our reliance on contracts with a limited number of customers and the possibility of termination of government contracts by unilateral government action or for failure to perform; the extensive legal and regulatory requirements surrounding many of our contracts; our ability to retain our existing business and related contracts; our ability to successfully compete for and win new business; or, identify, acquire and integrate additional businesses; our ability to maintain and improve our operating margin; the availability of government funding and changes in customer requirements for our products and services; the outcome of litigation matters; results of audits by U.S. Government agencies and of ongoing governmental investigations; our significant amount of debt and the restrictions contained in our debt agreements and actions taken by rating agencies that could result in a downgrade of our debt; our ability to continue to recruit, retain and train our employees; actual future interest rates, volatility and other assumptions used in the determination of pension benefits and equity based compensation, as well as the market performance of benefit plan assets; our collective bargaining

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agreements; our ability to successfully negotiate contracts with labor unions and our ability to favorably resolve labor disputes should they arise; the business, economic and political conditions in the markets in which we operate; global economic uncertainty; the risk that our commercial aviation products and services businesses are affected by a downturn in global demand for air travel or a reduction in commercial aircraft OEM (Original Equipment Manufacturer) production rates; the DoD's Better Buying Power and other efficiency initiatives; events beyond our control such as acts of terrorism; our ability to perform contracts on schedule; our international operations including currency risks and compliance with foreign laws; our extensive use of fixed-price type revenue arrangements; the rapid change of technology and high level of competition in which our businesses participate; risks relating to technology and data security; our introduction of new products into commercial markets or our investments in civil and commercial products or companies; the impact on our business of improper conduct by our employees, agents or business partners; goodwill impairments and the fair values of our assets; and the ultimate resolution of contingent matters, claims and investigations relating to acquired businesses, and the impact on the final purchase price allocations.

In addition, for a discussion of other risks and uncertainties that could impair our results of operations or financial condition, see "Part I — Item 1A — Risk Factors" and "Part II — Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2016 and in this quarterly report on Form 10-Q, and any material updates to these factors contained in any of our future filings.

Readers of this document are cautioned that our forward-looking statements are not guarantees of future performance and the actual results or developments may differ materially from the expectations expressed in the forward-looking statements.

As for the forward-looking statements that relate to future financial results and other projections, actual results will be different due to the inherent uncertainties of estimates, forecasts and projections and may be better or worse than projected and such differences could be material. Given these uncertainties, you should not place any reliance on these forward-looking statements. These forward-looking statements also represent our estimates and assumptions only as of the date that they were made. We expressly disclaim a duty to provide updates to these forward-looking statements, and the estimates and assumptions associated with them, after the date of this filing, to reflect events or changes in circumstances or changes in expectations or the occurrence of anticipated events.

ITEM 3.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See “Part II — Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Derivative Financial Instruments and Other Market Risk,” of our Annual Report on Form 10-K for the year ended December 31, 2016 for a discussion of our exposure to market risks. There were no material changes to our disclosure about market risks during the 2017 First Quarter. See Notes 15 and 17 to our unaudited condensed consolidated financial statements contained in this quarterly report for the aggregate fair values and notional amounts of our foreign currency forward contracts at March 31, 2017.

ITEM 4.

CONTROLS AND PROCEDURES

Conclusions Regarding Effectiveness of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934 related to L3 Technologies, Inc. is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and that such information is accumulated and communicated to our management, including our Chairman and Chief Executive Officer and our Senior Vice President and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Our management, with the participation of our Chairman and Chief Executive Officer and our Senior Vice President and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2017. Based upon that evaluation, our Chairman and Chief Executive Officer and our Senior Vice President and Chief Financial Officer concluded that, as of March 31, 2017, the design and operation of our disclosure controls and procedures were effective to accomplish their objectives at the reasonable assurance level.

There were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1.

LEGAL PROCEEDINGS

The information required with respect to this item can be found in Note 18 to our unaudited condensed consolidated financial statements contained in this quarterly report and is incorporated by reference into this Item 1.

ITEM 1A.

RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in “Part I — Item 1A — Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2016, and “Part II — Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations — Overview and Outlook — Business Environment”, in our Annual Report on Form 10-K which could materially affect our business, financial condition or future results. There have been no material changes to the risk factors disclosed in “Part I — Item 1A — Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2016. The risks described in our Annual Report on Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

ITEM 2.**UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS****Issuer Purchases of Equity Securities**

The following table provides information about share repurchases made by L3 of its common stock during the 2017 First Quarter. Repurchases are made from time to time at management's discretion in accordance with applicable U.S. Federal securities laws. All share repurchases of L3's common stock have been recorded as treasury shares.

| <u>Period</u> | <u>Total Number of Shares Purchased</u> | <u>Average Price Paid Per Share</u> | <u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u> | <u>Maximum Number (or Approximate Dollar Value) of Shares That May Yet be Purchased Under the Plans or Programs⁽¹⁾</u> (in millions) |
|--------------------------------|---|-------------------------------------|---|--|
| January 1 — January 31, 2017 | — | \$ — | — | \$ 433 |
| February 1 — February 28, 2017 | — | — | — | 433 |
| March 1 — March 31, 2017 | — | — | — | 433 |
| Total | — | — | — | — |

(1) Represents shares available pursuant to the \$1.5 billion share repurchase program authorized by L3's Board of Directors on December 4, 2014, which expires on June 30, 2017.

ITEM 6.**EXHIBITS**

For a list of exhibits, see the Exhibit Index in this Form 10-Q.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized.

L3 TECHNOLOGIES, INC.

By: /s/ Ralph G. D'Ambrosio
Title: Senior Vice President and Chief Financial Officer
(Principal Financial Officer and Authorized Signatory)

Date: April 27, 2017

EXHIBIT INDEX

Exhibits identified in parentheses below are on file with the SEC and are incorporated herein by reference to such previous filings.

| Exhibit No. | Description of Exhibit |
|----------------|---|
| 2.1 | Distribution Agreement between L-3 Communications Holdings, Inc. and Engility Holdings, Inc. dated as of July 16, 2012 (incorporated by reference to Exhibit 2.1 to the Registrant’s Quarterly Report on Form 10-Q for the period ended September 28, 2012 (File No. 333-46983)). |
| 2.2 | Stock Purchase Agreement, dated as of December 7, 2015, by and among L-3 Communications Corporation, CACI International Inc and CACI, Inc.-Federal (incorporated by reference to Exhibit 2.1 to the Registrant’s Current Report on Form 8-K filed on December 11, 2015 (File No. 333-46983)). |
| 3.1 | Restated Certificate of Incorporation of L3 Technologies, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant’s Current Report on Form 8-K filed on January 3, 2017 (File No. 333-46983)). |
| 3.2 | Amended and Restated Bylaws of L3 Technologies, Inc. (incorporated by reference to Exhibit 3.2 to the Registrant’s Current Report on Form 8-K filed on January 3, 2017 (File No. 333-46983)). |
| 4.1 | Form of Common Stock Certificate of L3 Technologies, Inc. (incorporated by reference to Exhibit 4.1 to the Registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (File No. 333-46983)). |
| 4.2 | Indenture dated as of October 2, 2009 among L-3 Communications Corporation, the guarantors named therein and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 4.15 to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended September 25, 2009 (File No. 333-46983)). |
| 4.3 | Supplemental Indenture dated as of February 3, 2012 among L-3 Communications Corporation, The Bank of New York Mellon, as Trustee, and the guarantors named therein (incorporated by reference to Exhibit 4.7 to the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2011 (File No. 333-46983)). |
| 4.4 | Second Supplemental Indenture, dated as of October 31, 2016 among L-3 Communications Corporation, The Bank of New York Mellon, as Trustee, and the guarantors named therein (incorporated by reference to Exhibit 4.4 to the Registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (File No. 333-46983)). |
| 4.5 | Indenture, dated as of May 21, 2010, among L-3 Communications Corporation, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated by reference to Exhibit 4.1 to the Registrant’s Current Report on Form 8-K dated May 24, 2010 (File No. 333-46983)). |
| 4.6 | First Supplemental Indenture, dated as of May 21, 2010, among L-3 Communications Corporation, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated by reference to Exhibit 4.2 to the Registrant’s Current Report on Form 8-K dated May 24, 2010 (File No. 333-46983)). |
| 4.7 | Second Supplemental Indenture, dated as of February 7, 2011, among L-3 Communications Corporation, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated by reference to Exhibit 4.2 to the Registrant’s Current Report on Form 8-K dated February 8, 2011 (File No. 333-46983)). |
| 4.8 | Third Supplemental Indenture, dated as of November 22, 2011, among L-3 Communications Corporation, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A, as Trustee (incorporated by reference to Exhibit 4.2 to the Registrant’s Current Report on Form 8-K dated November 22, 2011 (File No. 333-46983)). |
| 4.9 | Fourth Supplemental Indenture, dated as of February 3, 2012, among L-3 Communications Corporation, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A, as Trustee (incorporated by reference to Exhibit 4.12 to the Registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (File No. 333-46983)). |

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| Exhibit No. | Description of Exhibit |
|--------------------|---|
| 4.10 | Fifth Supplemental Indenture, dated as of May 28, 2014, among L-3 Communications Corporation, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A, as Trustee (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated May 28, 2014 (File No. 333-46983)). |
| 4.11 | Sixth Supplemental Indenture, dated as of June 21, 2016, among L-3 Communications Corporation, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A, as Trustee (incorporated by reference to Exhibit 4.2 to L-3 Communications Corporation's Registration Statement on Form S-3ASR filed on June 21, 2016 (File No. 333-212152)). |
| 4.12 | Seventh Supplemental Indenture, dated as of October 31, 2016, among L-3 Communications Corporation, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A, as Trustee (incorporated by reference to Exhibit 4.12 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (File No. 333-46983)). |
| 4.13 | Eighth Supplemental Indenture, dated as of December 5, 2016, among L-3 Communications Corporation, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A, as Trustee (incorporated by reference to Exhibit 4.6 to the Registrant's Current Report on Form 8-K dated December 5, 2016 (File No. 333-46983)). |
| *†10.1 | Form of L3 Technologies, Inc. 2008 Long Term Performance Plan Nonqualified Stock Option Agreement (2017 Version). |
| *†10.2 | Form of L3 Technologies, Inc. 2008 Long Term Performance Plan Nonqualified Stock Option Agreement (2017 CEO Version). |
| *†10.3 | Form of L3 Technologies, Inc. 2008 Long Term Performance Plan Restricted Stock Unit Agreement (2017 Version). |
| *†10.4 | Form of L3 Technologies, Inc. 2008 Long Term Performance Plan Restricted Stock Unit Agreement (2017 CEO Version). |
| *†10.5 | Form of L3 Technologies, Inc. 2008 Long Term Performance Plan Restricted Stock Unit Agreement (2017 Senior Executive Version). |
| *†10.6 | Form of L3 Technologies, Inc. 2008 Long Term Performance Plan Restricted Stock Unit Agreement (2017 Non-Employee Directors Deferred Compensation Version). |
| *†10.7 | Form of L3 Technologies, Inc. 2008 Long Term Performance Plan Performance Unit Agreement (2017 Version). |
| *†10.8 | L3 Technologies, Inc. Amended and Restated 2012 Cash Incentive Plan. |
| *†10.9 | Form of L3 Technologies, Inc. 2012 Cash Incentive Plan Performance Cash Award Agreement (2017 Version). |
| *†10.10 | L3 Technologies, Inc. Amended and Restated Change in Control Severance Plan. |
| †10.11 | Consulting Agreement between L3 Technologies, Inc. and Curtis Brunson (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated February 23, 2017 (File No. 333-46983)). |
| †10.12 | Consulting Agreement between L3 Technologies, Inc. and Steve Kantor (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K dated February 23, 2017 (File No. 333-46983)). |
| †10.13 | L3 Technologies, Inc. Supplemental Executive Retirement Plan (incorporated by reference to Exhibit 10.40 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (File No. 333-46983)). |
| †10.14 | L3 Technologies, Inc. Deferred Compensation Plan I (incorporated by reference to Exhibit 10.41 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (File No. 333-46983)). |
| †10.15 | L3 Technologies, Inc. Deferred Compensation Plan II (incorporated by reference to Exhibit 10.42 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (File No. 333-46983)). |
| **11 | L3 Technologies, Inc. Computation of Basic Earnings Per Share and Diluted Earnings Per Common Share. |

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| Exhibit No. | Description of Exhibit |
|--------------------|--|
| *31.1 | Certification of Chairman and Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended. |
| *31.2 | Certification of Senior Vice President and Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended. |
| *32 | Section 1350 Certification. |
| ***101.INS | XBRL Instance Document. |
| ***101.SCH | XBRL Taxonomy Extension Schema Document. |
| ***101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document. |
| ***101.DEF | XBRL Taxonomy Extension Definition Linkbase Document. |
| ***101.LAB | XBRL Taxonomy Extension Label Linkbase Document. |
| ***101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document. |

* Filed herewith.

** The information required in this exhibit is presented in Note 14 to the unaudited condensed consolidated financial statements as of March 31, 2017 contained in this quarterly report in accordance with the provisions of ASC 260, *Earnings Per Share*.

*** Filed electronically with this report.

† Represents management contract or compensatory plan, contract or arrangement in which directors and/or executive officers are entitled to participate.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by the Company in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

L3 TECHNOLOGIES, INC.
AMENDED AND RESTATED
2008 LONG TERM PERFORMANCE PLAN
NONQUALIFIED STOCK OPTION AGREEMENT
(Version 0009)

THIS AGREEMENT, effective as of the Grant Date (as defined below), is between L3 Technologies, Inc., a Delaware corporation (the “Company”), and the Optionee (as defined below).

WHEREAS, the Company has adopted the L3 Technologies, Inc. Amended and Restated 2008 Long Term Performance Plan (the “Plan”) in order to provide additional incentives to selected officers and employees of the Company and its subsidiaries; and

WHEREAS, the following terms shall have the following meanings for purposes of this Option Agreement:

“Award Letter” shall mean the letter to the Optionee attached hereto as Exhibit A;

“Common Stock” means the Company’s Common Stock, par value \$0.01 per share;

“Exercise Price” shall mean the “Grant Price” listed in the Award Letter;

“Grant Date” shall mean the “Grant Date” listed in the Award Letter;

“Option Agreement” or this “Agreement” shall mean this agreement including (unless the context otherwise requires) the Award Letter.

“Optionee” shall mean the “Participant” listed in the Award Letter; and

“Shares” shall mean that number of shares of Common Stock listed in the Award Letter as “Awards Granted.”

NOW, THEREFORE, the parties hereto agree as follows:

1. Grant of Option.

1.1 Effective as of the Grant Date, for good and valuable consideration, the Company hereby irrevocably grants to the Optionee the right and option (the “Option”) to purchase all or any part of the Shares, subject to, and in accordance with, the terms and conditions set forth in this Option Agreement.

1.2 The Option is not intended to qualify as an Incentive Stock Option within the meaning of Section 422 of the Code.

1.3 This Option Agreement shall be construed in accordance and consistent with, and subject to, the terms of the Plan (the provisions of which are incorporated hereby by reference); and, except as otherwise expressly set forth herein, the capitalized terms used in this Option Agreement shall have the same definitions as set forth in the Plan. In the event of any conflict between one or more of this Option Agreement, the Award Letter and the Plan, the Plan shall govern this Option Agreement and the Award Letter, and the Option Agreement (to the extent not in conflict with the Plan) shall govern the Award Letter.

2. Exercise Price.

The price at which the Optionee shall be entitled to purchase the Shares upon the exercise of the Option shall be the Exercise Price per share, subject to adjustment as provided in Section 9.

3. Duration of Option.

The Option shall be exercisable to the extent and in the manner provided herein for a period of ten (10) years from the Grant Date (the "Exercise Term"); provided, however, that the Option may be earlier terminated as provided in Section 6 hereof.

4. Exercisability of Option.

Unless otherwise provided in this Option Agreement or the Plan, the Option shall entitle the Optionee to purchase, in whole at any time or in part from time to time, one-third (1/3rd) of the total number of shares covered by the Option on the first anniversary of the Grant Date, an additional one-third (1/3rd) of the total number of Shares covered by the Option on the second anniversary of the Grant Date and the final one-third (1/3rd) of the total number of Shares covered by the Option on the expiration of the third anniversary of the Grant Date. Each such right of purchase shall be cumulative and shall continue, unless sooner exercised or terminated as herein provided, during the remaining period of the Exercise Term.

5. Manner of Exercise and Payment.

5.1 Subject to the terms and conditions of this Option Agreement and the Plan, the Option may be exercised by delivery of written notice to the Secretary of the Company (or his or her designee), at its principal executive office. Such notice shall state that the Optionee or other authorized person is electing to exercise the Option and the number of Shares in respect of which the Option is being exercised and shall be signed by the person or persons exercising the Option. In the event the Company has designated an Award Administrator (as defined below), the Option may also be exercised by giving notice (including through electronic means) in accordance with the procedures established from time to time by the Award Administrator. Any exercisable portion of the Option or the entire Option, if then wholly exercisable, may be exercised in whole or in part, provided that partial exercise shall be for whole shares of Common Stock only. If requested by the Committee, such person or persons shall (i) deliver this Agreement (including the Award Letter) to the Secretary of the Company who shall endorse thereon a notation of such exercise and (ii) provide satisfactory proof as to the right of such person or persons to exercise the Option.

5.2 The notice of exercise described in Section 5.1 shall be accompanied by either (i) payment of the full purchase price for the Shares in respect of which the Option is being exercised and of all applicable Withholding Taxes (as defined in Section 11) pursuant to Section 11 hereof (such payment to be made in cash, by delivering Shares, by withholding a portion of the Shares otherwise issuable or by any combination thereof) or (ii) instructions from the Optionee to the Company directing the Company to deliver a specified number of Shares directly to a designated broker or dealer pursuant to a cashless exercise election, in which case the Company must receive, prior to the issuance of the Shares in respect of which the Option is being exercised, payment of the full purchase price for the Shares in respect of which the Option is being exercised and all applicable Withholding Taxes pursuant to Section 11 hereof (such payment to be made in cash, by delivering Shares, by withholding a portion of the Shares otherwise issuable or by any combination thereof). The value of any Shares withheld or delivered in satisfaction of the purchase price for the Shares in respect of which the Option is being exercised and/or Withholding Taxes shall be determined by reference to the Fair Market Value of such Shares as of the date of such withholding or delivery. In the event that Withholding Taxes are satisfied by withholding a portion of the Shares otherwise issuable in connection with an exercise of the Option, the Company shall not withhold any Shares in excess of the minimum number of Shares necessary to satisfy the applicable Withholding Taxes.

5.3 Upon receipt of the notice of exercise and any payment or other documentation as may be necessary pursuant to Sections 5.1 and 5.2 relating to the Shares in respect of which the Option is being exercised, the Company shall, subject to the Plan and this Option Agreement, take such action as may be necessary to effect the transfer to the Optionee of the number of Shares as to which such exercise was effective.

5.4 The Optionee shall not be deemed to be the holder of, or to have any of the rights and privileges of a stockholder of the Company in respect of, Shares purchased upon exercise of the Option until (i) the Option shall have been exercised pursuant to the terms of this Option Agreement and the Optionee shall have paid the full purchase price for the number of Shares in respect of which the Option was exercised and any applicable Withholding Taxes and (ii) the Company shall have issued the Shares in connection with such exercise.

6. Termination of Employment; Permanent Disability.

6.1 If, prior to the date of the initial vesting of the Option pursuant to Section 4 hereof (the "Initial Vesting Date"), the Optionee's employment with the Company and its subsidiaries shall be terminated for any reason, other than death or permanent disability (as herein defined), the Optionee's right to exercise the Option shall terminate as of the effective date of termination (the "Termination Date") and all rights hereunder shall cease (unless otherwise provided for by the Committee in accordance with the Plan).

6.2 Upon the Optionee's death or permanent disability, the Option shall become immediately fully exercisable as to 100% of the Shares subject to the Option, and the Optionee or the executor or administrator of the estate of the Optionee or the person or persons to whom the Option shall have been validly transferred by the executor or the administrator pursuant to will or the laws of descent or distribution shall have the right, within one year from the date of the Optionee's death or permanent disability, to exercise the Option, subject to any other limitation contained herein on the exercise of the Option in effect at the date of exercise. For purposes hereof, "permanent disability" means the Optionee (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Optionee's employer.

6.3 If, on or after the Initial Vesting Date, the Optionee's employment with the Company and its subsidiaries shall be terminated for any reason other than for Cause or death or permanent disability, the Optionee shall have the right within three months after the Termination Date (or, if the Optionee's employment with the Company and its subsidiaries is terminated by reason of a qualified retirement as herein defined, within three years after the Termination Date) to exercise the Option to the extent that installments thereof shall have been or become exercisable at the Termination Date and shall not have been exercised, subject to any other limitation contained herein on the exercise of the Option in effect at the date of exercise, and (unless otherwise provided for by the Committee in accordance with the Plan) the Optionee's right to exercise any installments of the Option that were not exercisable at the Termination Date (if any) shall terminate as of the Termination Date. If the Optionee's employment is terminated for Cause, the Option shall terminate as of the Termination Date, whether or not exercisable. For purposes hereof, "Cause" means the Optionee's (i) intentional failure to perform reasonably assigned duties, (ii) dishonesty or willful misconduct in the performance of duties, (iii) engaging in a transaction in connection with the performance of duties to the Company or its subsidiaries which transaction is adverse to the interests of the Company or its subsidiaries and is engaged in for personal profit or (iv) willful violation of any law, rule or regulation in connection with the performance of duties (other than traffic violations or similar offenses). In addition, "qualified retirement" means the Optionee (a) terminates employment with the Company and its subsidiaries other than for Cause (and is not subject to termination for Cause at the time of such termination) more than one year after the Grant Date, (b) is available for consultation with the Company or its subsidiaries at the reasonable request of the Company or its subsidiaries and (c) terminates employment either (1) on or after attaining age 60 and completing at least five years of service in the aggregate with the Corporation and its subsidiaries (which service must be continuous through the date of termination except for a single break in service that does not exceed one year in length), or (2) on or after attaining age 65.

6.4 If the Optionee shall die within the three-month period (or the three-year period, if applicable) referred to in Section 6.3 above, the Optionee or the executor or administrator of the estate of the Optionee or the person or persons to whom the Option shall have been validly transferred by the executor or administrator pursuant to will or the laws of descent and distribution shall have the right, within one year from the date of the Optionee's death (or, if longer and applicable under Section 6.3 above, within the original three-year period referred to therein), to exercise the Option to the extent that the Option was exercisable at the date of death, subject to any other limitation contained herein on the exercise of the Option in effect at the date of exercise.

6.5 The Optionee's rights with respect to the Option shall not be affected by any change in the nature of the Optionee's employment so long as the Optionee continues to be an employee of the Company or any of its subsidiaries. Whether (and the circumstances under which) employment has been terminated and the determination of the Termination Date for the purposes of this Agreement (or whether, and the date upon which, the Optionee as suffered a permanent disability) shall be determined by the Committee or (with respect to any employee other than an "Executive Officer" as defined under the Plan) its designee (who, at the date of this Agreement, shall be the Company's Vice President of Human Resources), whose good faith determination shall be final, binding and conclusive; provided, that such designee may not make any such determination with respect to his or her own employment.

7. Nontransferability.

The Option shall not be transferable other than by will or by the laws of descent and distribution, and during the lifetime of the Optionee, the Option shall be exercisable only by the Optionee. After the death of the Optionee, any exercisable portion of the Option may, prior to the time when the Option becomes unexercisable under Section 6.2 or 6.4, be exercised by the Optionee's personal representative or by any person empowered to do so under the Optionee's will or under the then applicable laws of descent and distribution.

8. No Right to Continued Employment.

Nothing in this Option Agreement or the Plan shall be interpreted or construed to confer upon the Optionee any right to continue employment by the Company or any of its subsidiaries, nor shall this Agreement or the Plan interfere in any way with the right of the Company or any of its subsidiaries to terminate the Optionee's employment at any time for any reason whatsoever, whether or not with Cause.

9. Adjustments.

In the event that the outstanding shares of the Common Stock are, from time to time, changed into or exchanged for a different number or kind of shares of the capital stock of the Company or other securities of the Company by reason of a merger, consolidation, recapitalization, reclassification, stock split, stock dividend, combination of capital stock, or other similar increase or decrease in the number of shares outstanding without receiving compensation therefor, the Committee shall, in accordance with the terms of the Plan, make an appropriate and equitable adjustment in the number and kind of Shares or other consideration as to which such Option, or portions thereof then unexercised, shall be exercisable and the exercise price therefor. Any such adjustment made by the Committee shall be final, binding and conclusive upon the Optionee, the Company and all other interested persons. Any such adjustment may provide for the elimination of any fractional share which might otherwise become subject to the Option. This paragraph shall also apply with respect to any extraordinary dividend or other extraordinary distribution in respect of the Common Stock (whether in the form of cash or other property).

10. Effect of a Change in Control.

10.1 Notwithstanding anything contained in the Plan or this Agreement to the contrary, in the event of a Change in Control, (a) the Option becomes immediately and fully exercisable as to 100% of the Shares subject to the Option, and (b) upon termination of an Optionee's employment with the Company, following a Change in Control, the Option shall remain exercisable until one year after termination, but in no event beyond the Exercise Term. The Company reserves the right to change or modify in any way the definition of Change in Control set forth in this Option Agreement and any such change or modification shall be binding on the Optionee.

10.2 For the purposes of this Option Agreement, "Change in Control" shall mean the first to occur of the following:

- a. The acquisition by any person or group (including a group within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act), other than the Company or any of its subsidiaries, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of a majority of the combined voting power of the Company's then outstanding voting securities, other than by any employee benefit plan maintained by the Company;
- b. The sale of all or substantially all the assets of the Company and its subsidiaries taken as a whole;
- c. 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 the consummation of the merger, combination, consolidation, recapitalization or other reorganization, less than 50 percent of the outstanding voting securities of the surviving or resulting corporation shall immediately after the event be beneficially owned in the aggregate by the stockholders of the Company immediately prior to the event; or
- d. The election, including the filling of vacancies, during any period of 24 months or less, of 50% or more, of the members of the Board of Directors, without the approval of Continuing Directors, as constituted at the beginning of such period. "Continuing Directors" shall mean any director of the Company who either (i) is a member of the Board of Directors on the Grant Date, or (ii) is nominated for election to the Board of Directors by a majority of the Board which is comprised of directors who were, at the time of such nomination, Continuing Directors.

11. Withholding of Taxes.

As a condition to the issuance of Shares in respect of any exercise of the Option or any other issuance or payment to the Optionee hereunder, the Optionee shall pay to the Company (and the Company shall have the right to deduct from any distribution of cash to the Optionee) the minimum amount necessary to satisfy Federal, state, local and foreign withholding tax requirements, if any ("Withholding Taxes") with respect to such exercise, issuance or payment.

12. Optionee bound by the Plan.

The Optionee hereby acknowledges receipt of a copy of the Plan and agrees to be bound by all the terms and provisions thereof.

13. Modification of Agreement.

This Agreement may not be modified, amended, suspended or terminated, and any terms or conditions may not be waived, without the approval of the Committee. The Committee reserves the right to amend or modify this Agreement at any time without prior notice to the Optionee or any other interested party; provided, that except as expressly provided hereunder, any such amendment or modification may not adversely affect in any material respect the Optionee's rights or benefits hereunder except for such amendments or modifications as are required by law.

14. Severability.

Should any provision of this Agreement be held by a court of competent jurisdiction to be unenforceable or invalid for any reason, the remaining provisions of this Agreement shall not be affected by such holding and shall continue in full force in accordance with their terms.

15. Governing Law.

The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of New York without giving effect to the conflicts of laws principles thereof. If the Optionee has received a copy of this Agreement (or the Plan or any other document related hereto or thereto) translated into a language other than English, such translated copy is qualified in its entirety by reference to the English version thereof, and in the event of any conflict the English version will govern.

16. Successors in Interest.

This Agreement shall inure to the benefit of and be binding upon any successor to the Company. This Agreement shall inure to the benefit of the Optionee or the Optionee's legal representatives. All obligations imposed upon the Optionee and all rights granted to the Company under this Agreement shall be final, binding and conclusive upon the Optionee's heirs, executors, administrators and successors.

17. Administration.

The Committee shall have the power to interpret the Plan and this Option Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee shall be final and binding upon the Optionee, the Company and all other interested persons. No member of the Committee shall be personally liable for any action determination or interpretation made in good faith with respect to the Plan or the Options. In its absolute discretion, the Board of Directors may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan and this Option Agreement.

18. Resolution of Disputes.

Any dispute or disagreement which may arise under, or as a result of, or in any way related to, the interpretation, construction or application of this Agreement shall be determined by the Committee. Any determination made hereunder shall be final, binding and conclusive on the Optionee and Company for all purposes.

19. Data Privacy Consent.

As a condition of the grant of the Option, the Optionee hereby consents to the collection, use and transfer of personal data as described in this paragraph. The Optionee understands that the Company and its subsidiaries hold certain personal information about the Optionee, including name, home address and telephone number, date of birth, social security number, salary, nationality, job title, ownership interests or directorships held in the Company or its subsidiaries, and details of all stock options or other equity awards or other entitlements to shares of common stock awarded, cancelled, exercised, vested or unvested (“Data”). The Optionee further understands that the Company and its subsidiaries will transfer Data among themselves as necessary for the purposes of implementation, administration and management of the Optionee’s participation in the Plan, and that the Company and any of its subsidiaries may each further transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan. The Optionee understands that these recipients may be located in the European Economic Area or elsewhere, such as the United States. The Optionee hereby authorizes them to receive, possess, use, retain and transfer such Data as may be required for the administration of the Plan or the subsequent holding of shares of common stock on the Optionee’s behalf, in electronic or other form, for the purposes of implementing, administering and managing the Optionee’s participation in the Plan, including any requisite transfer to a broker or other third party with whom the Optionee may elect to deposit any shares of common stock acquired under the Plan. The Optionee may, at any time, view such Data or require any necessary amendments to it.

20. Limitation on Rights; No Right to Future Grants; Extraordinary Item of Compensation.

By accepting this Agreement and the grant of the Option evidenced hereby, the Optionee expressly acknowledges that (a) the Plan is discretionary in nature and may be suspended or terminated by the Company at any time; (b) the grant of the Option is a one-time benefit that does not create any contractual or other right to receive future grants of options, or benefits in lieu of options; (c) all determinations with respect to future option grants, if any, including the grant date, the number of Shares granted, the exercise price and the exercise date or dates, will be at the sole discretion of the Company; (d) the Optionee’s participation in the Plan is voluntary; (e) the value of the Option is an extraordinary item of compensation that is outside the scope of the Optionee’s employment contract, if any, and nothing can or must automatically be inferred from such employment contract or its consequences; (f) Options are not part of normal or expected compensation for any purpose and are not to be used for calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments, and the Optionee waives any claim on such basis; and (g) the future value of the underlying Shares is unknown and cannot be predicted with certainty. In addition, the Optionee understands, acknowledges and agrees that the Optionee will have no rights to compensation or damages related to option proceeds in consequence of the termination of the Optionee’s employment for any reason whatsoever and whether or not in breach of contract.

21. Subsidiary.

As used herein, the term “subsidiary” shall mean, as to any person, any corporation, association, partnership, joint venture or other business entity of which 50% or more of the voting stock or other equity interests (in the case of entities other than corporations), is owned or controlled (directly or indirectly) by that entity, or by one or more of the Subsidiaries of that entity, or by a combination thereof.

22. Award Administrator.

The Company may from time to time to designate a third party (an “Award Administrator”) to assist the Company in the implementation, administration and management of the Plan and any Options granted thereunder, including by sending Award Letters on behalf of the Company to Optionees, and by facilitating through electronic means acceptance of Option Agreements by Optionees and Option exercises by Optionees.

23. Book Entry Delivery of Shares.

Whenever reference in this Agreement is made to the issuance or delivery of certificates representing one or more Shares, the Company may elect to issue or deliver such Shares in book entry form in lieu of certificates.

24. Acceptance.

This Agreement shall not be enforceable until it has been executed by the Optionee. In the event the Company has designated an Award Administrator, the acceptance (including through electronic means) of the Option contemplated by this Option Agreement in accordance with the procedures established from time to time by the Award Administrator shall be deemed to constitute the Optionee's acknowledgment and agreement to the terms and conditions of this Option Agreement and shall have the same legal effect in all respects of the Optionee having executed this Option Agreement by hand.

By: L3 TECHNOLOGIES, INC.



Michael T. Strianese
Chairman and Chief Executive Officer



Ann D. Davidson
Senior Vice President, General Counsel and
Corporate Secretary

Acknowledged and Agreed
as of the date first written above:

Participant ES

Optionee Signature

L3 Technologies, Inc.
Nonqualified Stock Option Award Notification Letter

Participant: **Participant Name**

Grant Date: **Grant Date**

Grant Price: **Grant Price**

Awards Granted: # **Shares** shares

L3 TECHNOLOGIES, INC.
AMENDED AND RESTATED
2008 LONG TERM PERFORMANCE PLAN
NONQUALIFIED STOCK OPTION AGREEMENT
(Version CEO 2017)

THIS AGREEMENT, effective as of the Grant Date (as defined below), is between L3 Technologies, Inc., a Delaware corporation (the “Company”), and the Optionee (as defined below).

WHEREAS, the Company has adopted the L3 Technologies, Inc. Amended and Restated 2008 Long Term Performance Plan (the “Plan”) in order to provide additional incentives to selected officers and employees of the Company and its subsidiaries; and

WHEREAS, the following terms shall have the following meanings for purposes of this Option Agreement:

“Award Letter” shall mean the letter to the Optionee attached hereto as Exhibit A;

“Common Stock” means the Company’s Common Stock, par value \$0.01 per share;

“Diluted EPS” means diluted earnings per common share of the Company, determined in accordance with GAAP and as derived from the Company’s audited consolidated financial statements prepared in the ordinary course of business; provided, that Diluted EPS shall be calculated so as to eliminate the effect of any: (a) impairment losses incurred on goodwill and other intangible assets or on debt or equity investments computed in accordance with Financial Accounting Standard No. 142 or other GAAP; (b) gains or losses incurred on the retirement of debt computed in accordance with Financial Accounting Standard No. 145; (c) extraordinary gains and losses in accordance with GAAP; (d) gains and losses in connection with asset dispositions that are not contemplated under the Corporation’s most recent internal plan for the year as presented to the Board of Directors prior to the Grant Date; (e) non-cash gains or losses on discontinued operations; (f) adoption by the Company of any new accounting standards required by GAAP or the Securities and Exchange Commission following the Grant Date; (g) gains or losses of \$5 million or more individually, or \$25 million or more in the aggregate, in respect of litigation matters; and (h) gains or losses (other than accrued interest) related to the resolution of income tax contingencies for business acquisitions, to the extent that such contingencies were established as of the dates of such acquisitions in the GAAP purchase price allocations in respect thereof;

“Exercise Price” shall mean the “Grant Price” listed in the Award Letter;

“Free Cash Flow” means (a) the Company’s net cash from operating activities, minus (b) capital expenditures, plus (c) dispositions of property, plant and equipment, in each case determined in accordance with GAAP and as derived from the Company’s audited consolidated financial statements prepared in the ordinary course of business; provided, that Free Cash Flow shall be calculated so as to eliminate the effect of: (i) discretionary contributions to pension plans that exceed the contributions forecasted in the Company’s most recent internal plan for the year as presented to the Board of Directors prior to the Grant Date; (ii) premiums and other payments in excess of principal and accrued interest associated with the retirement of debt, including without limitation payments of income taxes incurred in connection therewith; and (iii) tax payments or benefits associated with gains or losses on business divestitures in calculating net cash from operating activities;

“GAAP” shall mean generally accepted accounting principles in the United States.

“Grant Date” shall mean the “Grant Date” listed in the Award Letter;

“Option Agreement” or this “Agreement” shall mean this agreement including (unless the context otherwise requires) the Award Letter.

“Optionee” shall mean the “Participant” listed in the Award Letter; and

“Shares” shall mean that number of shares of Common Stock listed in the Award Letter as “Awards Granted,” subject to Section 4.2.

NOW, THEREFORE, the parties hereto agree as follows:

1. Grant of Option.

1.1 Effective as of the Grant Date, for good and valuable consideration, the Company hereby irrevocably grants to the Optionee the right and option (the “Option”) to purchase all or any part of the Shares, subject to, and in accordance with, the terms and conditions set forth in this Option Agreement.

1.2 The Option is not intended to qualify as an Incentive Stock Option within the meaning of Section 422 of the Code.

1.3 This Option Agreement shall be construed in accordance and consistent with, and subject to, the terms of the Plan (the provisions of which are incorporated hereby by reference); and, except as otherwise expressly set forth herein, the capitalized terms used in this Option Agreement shall have the same definitions as set forth in the Plan. In the event of any conflict between one or more of this Option Agreement, the Award Letter and the Plan, the Plan shall govern this Option Agreement and the Award Letter, and the Option Agreement (to the extent not in conflict with the Plan) shall govern the Award Letter.

2. Exercise Price.

The price at which the Optionee shall be entitled to purchase the Shares upon the exercise of the Option shall be the Exercise Price per share, subject to adjustment as provided in Section 9.

3. Duration of Option.

The Option shall be exercisable to the extent and in the manner provided herein for a period of ten (10) years from the Grant Date (the “Exercise Term”); provided, however, that the Option may be earlier terminated as provided in Section 6 hereof.

4. Exercisability of Option.

4.1 Subject to Section 4.2, and unless otherwise provided in this Option Agreement or the Plan, the Option shall entitle the Optionee to purchase, in whole at any time or in part from time to time, one-third (1/3rd) of the total number of Shares covered by the Option on the first anniversary of the Grant Date, an additional one-third (1/3rd) of the total number of Shares covered by the Option on the second anniversary of the Grant Date and the final one-third (1/3rd) of the total number of Shares covered by the Option on the expiration of the third anniversary of the Grant Date. Each such right of purchase shall be cumulative and shall continue, unless sooner exercised or terminated as herein provided, during the remaining period of the Exercise Term.

4.2 No right of purchase in respect of the Option shall become exercisable by virtue of Section 4.1 prior to the Determination Date. As promptly as practicable following December 31, 2017, the Committee shall determine, subject to Section 4.3, whether the following conditions have been satisfied (the "Performance Conditions"): (a) the Company's Diluted EPS for the year ended December 31, 2017 is at least \$7.23; and (b) the Company's Free Cash Flow for the year ended December 31, 2017 is at least \$735 million (the date of such determinations being referred to herein as the "Determination Date"). In the event that (i) the Committee determines that only one of the two Performance Conditions shall have been satisfied as of the Determination Date and (ii) the Option shall not have become fully exercisable prior to the Determination Date under Section 6 or 10, then the number of Shares subject to the Option shall be automatically reduced by 50% (rounded to the nearest whole Share). In the event that (1) the Committee determines that none of the Performance Conditions shall have been satisfied as of the Determination Date and (2) the Option shall not have become fully exercisable prior to the Determination Date under Section 6 or 10, then Optionee's right to exercise all or any portion of the Option shall automatically be terminated, and all of Optionee's rights hereunder shall cease.

4.3 In the event of an equity restructuring, as defined in *Financial Accounting Standards Board Accounting Standards Codification 718-10* (formerly *Statement of Financial Accounting Standards 123R*), the Committee shall adjust any Performance Conditions affected by such restructuring so as to preserve (without enlarging) the likelihood that such Performance Conditions shall be satisfied, with the manner of such adjustment to be determined by the Committee in its sole discretion.

5. Manner of Exercise and Payment.

5.1 Subject to the terms and conditions of this Option Agreement and the Plan, the Option may be exercised by delivery of written notice to the Secretary of the Company (or his or her designee), at its principal executive office. Such notice shall state that the Optionee or other authorized person is electing to exercise the Option and the number of Shares in respect of which the Option is being exercised and shall be signed by the person or persons exercising the Option. In the event the Company has designated an Award Administrator (as defined below), the Option may also be exercised by giving notice (including through electronic means) in accordance with the procedures established from time to time by the Award Administrator. Any exercisable portion of the Option or the entire Option, if then wholly exercisable, may be exercised in whole or in part, provided that partial exercise shall be for whole shares of Common Stock only. If requested by the Committee, such person or persons shall (i) deliver this Agreement (including the Award Letter) to the Secretary of the Company who shall endorse thereon a notation of such exercise and (ii) provide satisfactory proof as to the right of such person or persons to exercise the Option.

5.2 The notice of exercise described in Section 5.1 shall be accompanied by either (i) payment of the full purchase price for the Shares in respect of which the Option is being exercised and of all applicable Withholding Taxes (as defined in Section 11) pursuant to Section 11 hereof (such payment to be made in cash, by delivering Shares, by withholding a portion of the Shares otherwise issuable or by any combination thereof) or (ii) instructions from the Optionee to the Company directing the Company to deliver a specified number of Shares directly to a designated broker or dealer pursuant to a cashless exercise election, in which case the Company must receive, prior to the issuance of the Shares in respect of which the Option is being exercised, payment of the full purchase price for the Shares in respect of which the Option is being exercised and all applicable Withholding Taxes pursuant to Section 11 hereof (such payment to be made in cash, by delivering Shares, by withholding a portion of the Shares otherwise issuable or by any combination thereof). The value of any Shares withheld or delivered in satisfaction of the purchase price for the Shares in respect of which the Option is being exercised and/or Withholding Taxes shall be determined by reference to the Fair Market Value of such Shares as of the date of such withholding or delivery. In the event that Withholding Taxes are satisfied by withholding a portion of the Shares otherwise issuable in connection with an exercise of the Option, the Company shall not withhold any Shares in excess of the minimum number of Shares necessary to satisfy the applicable Withholding Taxes.

5.3 Upon receipt of the notice of exercise and any payment or other documentation as may be necessary pursuant to Sections 5.1 and 5.2 relating to the Shares in respect of which the Option is being exercised, the Company shall, subject to the Plan and this Option Agreement, take such action as may be necessary to effect the transfer to the Optionee of the number of Shares as to which such exercise was effective.

5.4 The Optionee shall not be deemed to be the holder of, or to have any of the rights and privileges of a stockholder of the Company in respect of, Shares purchased upon exercise of the Option until (i) the Option shall have been exercised pursuant to the terms of this Option Agreement and the Optionee shall have paid the full purchase price for the number of Shares in respect of which the Option was exercised and any applicable Withholding Taxes and (ii) the Company shall have issued the Shares in connection with such exercise.

6. Termination of Employment; Permanent Disability.

6.1 If, prior to the date of the initial vesting of the Option pursuant to Section 4 hereof (the "Initial Vesting Date"), the Optionee's employment with the Company and its subsidiaries shall be terminated for any reason, other than death or permanent disability (as herein defined), the Optionee's right to exercise the Option shall terminate as of the effective date of termination (the "Termination Date") and all rights hereunder shall cease (unless otherwise provided for by the Committee in accordance with the Plan).

6.2 Upon the Optionee's death or permanent disability, the Option shall become immediately fully exercisable as to 100% of the Shares subject to the Option, and the Optionee or the executor or administrator of the estate of the Optionee or the person or persons to whom the Option shall have been validly transferred by the executor or the administrator pursuant to will or the laws of descent or distribution shall have the right, within one year from the date of the Optionee's death or permanent disability, to exercise the Option, subject to any other limitation contained herein on the exercise of the Option in effect at the date of exercise. For purposes hereof, "permanent disability" means the Optionee (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Optionee's employer.

6.3 If, on or after the Initial Vesting Date, the Optionee's employment with the Company and its subsidiaries shall be terminated for any reason other than for Cause or death or permanent disability, the Optionee shall have the right within three months after the Termination Date (or, if the Optionee's employment with the Company and its subsidiaries is terminated by reason of a qualified retirement as herein defined, within three years after the Termination Date) to exercise the Option to the extent that installments thereof shall have been or become exercisable at the Termination Date and shall not have been exercised, subject to any other limitation contained herein on the exercise of the Option in effect at the date of exercise, and (unless otherwise provided for by the Committee in accordance with the Plan) the Optionee's right to exercise any installments of the Option that were not exercisable at the Termination Date (if any) shall terminate as of the Termination Date. If the Optionee's employment is terminated for Cause, the Option shall terminate as of the Termination Date, whether or not exercisable. For purposes hereof, "Cause" means the Optionee's (i) intentional failure to perform reasonably assigned duties, (ii) dishonesty or willful misconduct in the performance of duties, (iii) engaging in a transaction in connection with the performance of duties to the Company or its subsidiaries which transaction is adverse to the interests of the Company or its subsidiaries and is engaged in for personal profit or (iv) willful violation of any law, rule or regulation in connection with the performance of duties (other than traffic violations or similar offenses). In addition, "qualified retirement" means the Optionee (a) terminates employment with the Company and its subsidiaries other than for Cause (and is not subject to termination for Cause at the time of such termination) more than one year after the Grant Date, (b) is available for consultation with the Company or its subsidiaries at the reasonable request of the Company or its subsidiaries and (c) terminates employment either (1) on or after attaining age 60 and completing at least five years of service in the aggregate with the Corporation and its subsidiaries (which service must be continuous through the date of termination except for a single break in service that does not exceed one year in length), or (2) on or after attaining age 65.

6.4 If the Optionee shall die within the three-month period (or the three-year period, if applicable) referred to in Section 6.3 above, the Optionee or the executor or administrator of the estate of the Optionee or the person or persons to whom the Option shall have been validly transferred by the executor or administrator pursuant to will or the laws of descent and distribution shall have the right, within one year from the date of the Optionee's death (or, if longer and applicable under Section 6.3 above, within the original three-year period referred to therein), to exercise the Option to the extent that the Option was exercisable at the date of death, subject to any other limitation contained herein on the exercise of the Option in effect at the date of exercise.

6.5 The Optionee's rights with respect to the Option shall not be affected by any change in the nature of the Optionee's employment so long as the Optionee continues to be an employee of the Company or any of its subsidiaries. Whether (and the circumstances under which) employment has been terminated and the determination of the Termination Date for the purposes of this Agreement (or whether, and the date upon which, the Optionee as suffered a permanent disability) shall be determined by the Committee or (with respect to any employee other than an "Executive Officer" as defined under the Plan) its designee (who, at the date of this Agreement, shall be the Company's Vice President of Human Resources), whose good faith determination shall be final, binding and conclusive; provided, that such designee may not make any such determination with respect to his or her own employment.

7. Nontransferability.

The Option shall not be transferable other than by will or by the laws of descent and distribution, and during the lifetime of the Optionee, the Option shall be exercisable only by the Optionee. After the death of the Optionee, any exercisable portion of the Option may, prior to the time when the Option becomes unexercisable under Section 6.2 or 6.4, be exercised by the Optionee's personal representative or by any person empowered to do so under the Optionee's will or under the then applicable laws of descent and distribution.

8. No Right to Continued Employment.

Nothing in this Option Agreement or the Plan shall be interpreted or construed to confer upon the Optionee any right to continue employment by the Company or any of its subsidiaries, nor shall this Agreement or the Plan interfere in any way with the right of the Company or any of its subsidiaries to terminate the Optionee's employment at any time for any reason whatsoever, whether or not with Cause.

9. Adjustments.

In the event that the outstanding shares of the Common Stock are, from time to time, changed into or exchanged for a different number or kind of shares of the capital stock of the Company or other securities of the Company by reason of a merger, consolidation, recapitalization, reclassification, stock split, stock dividend, combination of capital stock, or other similar increase or decrease in the number of shares outstanding without receiving compensation therefor, the Committee shall, in accordance with the terms of the Plan, make an appropriate and equitable adjustment in the number and kind of Shares or other consideration as to which such Option, or portions thereof then unexercised, shall be exercisable and the exercise price therefor. Any such adjustment made by the Committee shall be final, binding and conclusive upon the Optionee, the Company and all other interested persons. Any such adjustment may provide for the elimination of any fractional share which might otherwise become subject to the Option. This paragraph shall also apply with respect to any extraordinary dividend or other extraordinary distribution in respect of the Common Stock (whether in the form of cash or other property).

10. Effect of a Change in Control.

10.1 Notwithstanding anything contained in the Plan or this Agreement to the contrary, in the event of a Change in Control, (a) the Option becomes immediately and fully exercisable as to 100% of the Shares subject to the Option, and (b) upon termination of an Optionee's employment with the Company, following a Change in Control, the Option shall remain exercisable until one year after termination, but in no event beyond the Exercise Term. The Company reserves the right to change or modify in any way the definition of Change in Control set forth in this Option Agreement and any such change or modification shall be binding on the Optionee.

10.2 For the purposes of this Option Agreement, "Change in Control" shall mean the first to occur of the following:

- a. The acquisition by any person or group (including a group within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act), other than the Company or any of its subsidiaries, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of a majority of the combined voting power of the Company's then outstanding voting securities, other than by any employee benefit plan maintained by the Company;
- b. The sale of all or substantially all the assets of the Company and its subsidiaries taken as a whole;
- c. 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 the consummation of the merger, combination, consolidation, recapitalization or other reorganization, less than 50 percent of the outstanding voting securities of the surviving or resulting corporation shall immediately after the event be beneficially owned in the aggregate by the stockholders of the Company immediately prior to the event; or
- d. The election, including the filling of vacancies, during any period of 24 months or less, of 50% or more, of the members of the Board of Directors, without the approval of Continuing Directors, as constituted at the beginning of such period. "Continuing Directors" shall mean any director of the Company who either (i) is a member of the Board of Directors on the Grant Date, or (ii) is nominated for election to the Board of Directors by a majority of the Board which is comprised of directors who were, at the time of such nomination, Continuing Directors.

11. Withholding of Taxes.

As a condition to the issuance of Shares in respect of any exercise of the Option or any other issuance or payment to the Optionee hereunder, the Optionee shall pay to the Company (and the Company shall have the right to deduct from any distribution of cash to the Optionee) the minimum amount necessary to satisfy Federal, state, local and foreign withholding tax requirements, if any ("Withholding Taxes") with respect to such exercise, issuance or payment.

12. Optionee bound by the Plan.

The Optionee hereby acknowledges receipt of a copy of the Plan and agrees to be bound by all the terms and provisions thereof.

13. Modification of Agreement.

This Agreement may not be modified, amended, suspended or terminated, and any terms or conditions may not be waived, without the approval of the Committee. The Committee reserves the right to amend or modify this Agreement at any time without prior notice to the Optionee or any other interested party; provided, that except as expressly provided hereunder, any such amendment or modification may not adversely affect in any material respect the Optionee's rights or benefits hereunder except for such amendments or modifications as are required by law.

14. Severability.

Should any provision of this Agreement be held by a court of competent jurisdiction to be unenforceable or invalid for any reason, the remaining provisions of this Agreement shall not be affected by such holding and shall continue in full force in accordance with their terms.

15. Governing Law.

The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of New York without giving effect to the conflicts of laws principles thereof. If the Optionee has received a copy of this Agreement (or the Plan or any other document related hereto or thereto) translated into a language other than English, such translated copy is qualified in its entirety by reference to the English version thereof, and in the event of any conflict the English version will govern.

16. Successors in Interest.

This Agreement shall inure to the benefit of and be binding upon any successor to the Company. This Agreement shall inure to the benefit of the Optionee or the Optionee's legal representatives. All obligations imposed upon the Optionee and all rights granted to the Company under this Agreement shall be final, binding and conclusive upon the Optionee's heirs, executors, administrators and successors.

17. Administration.

The Committee shall have the power to interpret the Plan and this Option Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee shall be final and binding upon the Optionee, the Company and all other interested persons. No member of the Committee shall be personally liable for any action determination or interpretation made in good faith with respect to the Plan or the Options. In its absolute discretion, the Board of Directors may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan and this Option Agreement.

18. Resolution of Disputes.

Any dispute or disagreement which may arise under, or as a result of, or in any way related to, the interpretation, construction or application of this Agreement shall be determined by the Committee. Any determination made hereunder shall be final, binding and conclusive on the Optionee and Company for all purposes.

19. Data Privacy Consent.

As a condition of the grant of the Option, the Optionee hereby consents to the collection, use and transfer of personal data as described in this paragraph. The Optionee understands that the Company and its subsidiaries hold certain personal information about the Optionee, including name, home address and telephone number, date of birth, social security number, salary, nationality, job title, ownership interests or directorships held in the Company or its subsidiaries, and details of all stock options or other equity awards or other entitlements to shares of common stock awarded, cancelled, exercised, vested or unvested (“Data”). The Optionee further understands that the Company and its subsidiaries will transfer Data among themselves as necessary for the purposes of implementation, administration and management of the Optionee’s participation in the Plan, and that the Company and any of its subsidiaries may each further transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan. The Optionee understands that these recipients may be located in the European Economic Area or elsewhere, such as the United States. The Optionee hereby authorizes them to receive, possess, use, retain and transfer such Data as may be required for the administration of the Plan or the subsequent holding of shares of common stock on the Optionee’s behalf, in electronic or other form, for the purposes of implementing, administering and managing the Optionee’s participation in the Plan, including any requisite transfer to a broker or other third party with whom the Optionee may elect to deposit any shares of common stock acquired under the Plan. The Optionee may, at any time, view such Data or require any necessary amendments to it.

20. Limitation on Rights; No Right to Future Grants; Extraordinary Item of Compensation.

By accepting this Agreement and the grant of the Option evidenced hereby, the Optionee expressly acknowledges that (a) the Plan is discretionary in nature and may be suspended or terminated by the Company at any time; (b) the grant of the Option is a one-time benefit that does not create any contractual or other right to receive future grants of options, or benefits in lieu of options; (c) all determinations with respect to future option grants, if any, including the grant date, the number of Shares granted, the exercise price and the exercise date or dates, will be at the sole discretion of the Company; (d) the Optionee’s participation in the Plan is voluntary; (e) the value of the Option is an extraordinary item of compensation that is outside the scope of the Optionee’s employment contract, if any, and nothing can or must automatically be inferred from such employment contract or its consequences; (f) Options are not part of normal or expected compensation for any purpose and are not to be used for calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments, and the Optionee waives any claim on such basis; and (g) the future value of the underlying Shares is unknown and cannot be predicted with certainty. In addition, the Optionee understands, acknowledges and agrees that the Optionee will have no rights to compensation or damages related to option proceeds in consequence of the termination of the Optionee’s employment for any reason whatsoever and whether or not in breach of contract.

21. Subsidiary.

As used herein, the term “subsidiary” shall mean, as to any person, any corporation, association, partnership, joint venture or other business entity of which 50% or more of the voting stock or other equity interests (in the case of entities other than corporations), is owned or controlled (directly or indirectly) by that entity, or by one or more of the Subsidiaries of that entity, or by a combination thereof.

22. Award Administrator.

The Company may from time to time to designate a third party (an “Award Administrator”) to assist the Company in the implementation, administration and management of the Plan and any Options granted thereunder, including by sending Award Letters on behalf of the Company to Optionees, and by facilitating through electronic means acceptance of Option Agreements by Optionees and Option exercises by Optionees.

23. Book Entry Delivery of Shares.

Whenever reference in this Agreement is made to the issuance or delivery of certificates representing one or more Shares, the Company may elect to issue or deliver such Shares in book entry form in lieu of certificates.

24. Acceptance.

This Agreement shall not be enforceable until it has been executed by the Optionee. In the event the Company has designated an Award Administrator, the acceptance (including through electronic means) of the Option contemplated by this Option Agreement in accordance with the procedures established from time to time by the Award Administrator shall be deemed to constitute the Optionee's acknowledgment and agreement to the terms and conditions of this Option Agreement and shall have the same legal effect in all respects of the Optionee having executed this Option Agreement by hand.

By: L3 TECHNOLOGIES, INC.



Michael T. Strianese
Chairman and Chief Executive Officer



Ann D. Davidson
Senior Vice President, General Counsel and
Corporate Secretary

Acknowledged and Agreed
as of the date first written above:

Participant ES

Optionee Signature

L3 Technologies, Inc.
Nonqualified Stock Option Award Notification Letter

Participant: **Participant Name**

Grant Date: **Grant Date**

Grant Price: **Grant Price**

Awards Granted: # **Shares** shares

L3 TECHNOLOGIES, INC.
AMENDED AND RESTATED
2008 LONG TERM PERFORMANCE PLAN
RESTRICTED STOCK UNIT AGREEMENT
(Version 0007)

This Restricted Stock Unit Agreement (this “Agreement”), effective as of the Grant Date (as defined below), is between L3 Technologies, Inc., a Delaware corporation (the “Corporation”), and the Participant (as defined below).

1. Definitions. The following terms shall have the following meanings for purposes of this Agreement:

Exhibit A.

- (a) “Award Letter” shall mean the letter to the Participant attached hereto as
- (b) “Code” shall mean the Internal Revenue Code of 1986, as amended from time to time.
- (c) “Grant Date” shall mean the “Grant Date” listed in the Award Letter.
- (d) “Participant” shall mean the “Participant” listed in the Award Letter.
- (e) “Restricted Units” shall mean that number of restricted units listed in the Award Letter as “Awards Granted.”
- (f) “Section 409A Change in Control Event” shall mean a change in ownership or effective control of the Corporation, or in the ownership of a substantial portion of the assets of the Corporation, within the meaning of Section 409A(a)(2)(A)(v) of the Code.
- (g) “Shares” shall mean a number of shares of the Corporation’s Common Stock, par value \$0.01 per share, equal to the number of Restricted Units.

2. Grant of Units. The Corporation hereby grants the Restricted Units to the Participant, each of which represents the right to receive one Share upon the expiration or termination of the Restricted Period (as defined below), subject to the terms, conditions and restrictions set forth in the L3 Technologies, Inc. Amended and Restated 2008 Long Term Performance Plan (the “Plan”) and this Agreement.

3. Restricted Unit Account. The Corporation shall cause an account (the “Unit Account”) to be established and maintained on the books of the Corporation to record the number of Restricted Units credited to the Participant under the terms of this Agreement. The Participant’s interest in the Unit Account shall be that of a general, unsecured creditor of the Corporation.

4. Restricted Period. Except as otherwise provided in paragraphs 6 and 7 hereof, the “Restricted Period” shall mean the period beginning on the Grant Date and expiring on the third anniversary of the Grant Date. Upon the expiration or termination of the Restricted Period, the Shares shall be issued to the Participant in accordance with Section 13.

5. Nonalienation of Benefits. No Participant or beneficiary shall have the power or right to transfer, anticipate, or otherwise encumber the Participant's interest under this Agreement. The provisions of this Agreement shall inure to the benefit of the Participant and the Participant's beneficiaries, heirs, executors, administrators or successors in interest.

6. Change in Control During Restricted Period. Upon the occurrence of a "change in control" that constitutes a Section 409A Change in Control Event, the Restricted Period shall automatically terminate and the Shares shall thereafter be issued to the Participant in accordance with Section 13. In the event of any other "change in control," the Restricted Period shall not be immediately affected, but shall subsequently terminate (and the Shares shall thereafter be issued to the Participant in accordance with Section 13) upon the earliest to occur of: (a) a Section 409A Change in Control Event, (b) the Participant's death, (c) the Participant's "disability" (as defined in Section 7(c) hereof) or (d) the third anniversary of the Grant Date. For purposes of this Agreement, a "change in control" means:

(a) The acquisition by any person or group (including a group within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act), other than the Corporation or any of its subsidiaries, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of a majority of the combined voting power of the Corporation's then outstanding voting securities, other than by any employee benefit plan maintained by the Corporation

(b) The sale of all or substantially all the assets of the Corporation and its subsidiaries taken as a whole;

(c) The consummation of a merger, combination, consolidation, recapitalization or other reorganization of the Corporation with one or more other entities that are not subsidiaries if, as a result of the consummation of the merger, combination, consolidation, recapitalization or other reorganization, less than 50 percent of the outstanding voting securities of the surviving or resulting corporation shall immediately after the event be beneficially owned in the aggregate by the stockholders of the Corporation immediately prior to the event; or

(d) The election, including the filling of vacancies, during any period of 24 months or less, of 50% or more of the members of the Board of Directors, without the approval of Continuing Directors, as constituted at the beginning of such period. "Continuing Directors" shall mean any director of the Corporation who either (i) is a member of the Board of Directors on the Grant Date, or (ii) is nominated for election to the Board of Directors by a majority of the Board which is comprised of directors who were, at the time of such nomination, Continuing Directors.

7. Termination of Employment or Disability During Restricted Period.

(a) In the event that the Participant's employment with the Corporation and its subsidiaries is terminated (other than by reason of death, "retirement" or "disability," as defined below) prior to the expiration or termination of the Restricted Period and prior to the occurrence of a "change in control" (as defined in Section 6), the Participant shall forfeit the Restricted Units and all of the Participant's rights hereunder shall cease (unless otherwise provided for by the Committee in accordance with the Plan). The Participant's rights to the Restricted Units shall not be affected by any change in the nature of the Participant's employment so long as the Participant continues to be an employee of the Corporation or any of its subsidiaries.

(b) In the event the Participant terminates employment with the Corporation and its subsidiaries because of “retirement” prior to the expiration or termination of the Restricted Period and prior to the occurrence of a “change in control” (as defined in Section 6), the Restricted Period shall not be affected and shall expire with the passage of time in accordance with paragraph 4, except that (i) in the event that the Participant dies following retirement but prior to the expiration of the Restricted Period, the Restricted Period shall automatically terminate and the Shares shall thereafter be delivered in accordance with Section 13 and (ii) the Restricted Period may earlier terminate in accordance with Section 6. For purposes of this Agreement, retirement means the Participant (A) terminates employment with the Corporation and its subsidiaries other than for Cause (and is not subject to termination for Cause at the time of such termination) more than one year after the Grant Date, (B) is available for consultation with the Corporation or its subsidiaries at the reasonable request of the Corporation or its subsidiaries and (C) terminates employment either (i) on or after attaining age 60 and completing at least five years of service in the aggregate with the Corporation and its subsidiaries (which service must be continuous through the date of termination except for a single break in service that does not exceed one year in length), or (ii) on or after attaining age 65. For purposes of this Agreement, “Cause” means the Participant’s (1) intentional failure to perform reasonably assigned duties, (2) dishonesty or willful misconduct in the performance of duties, (3) engaging in a transaction in connection with the performance of duties to the Corporation or its subsidiaries which transaction is adverse to the interests of the Corporation and is engaged in for personal profit or (4) willful violation of any law, rule or regulation in connection with the performance of duties (other than traffic violations or similar offenses).

(c) Upon Participant’s death or “disability” (as defined below), the Restricted Period shall automatically terminate and the Shares shall thereafter be issued in accordance with Section 13. For purposes of this Agreement, disability means the Participant, (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Participant’s employer.

(d) Whether (and the circumstances under which) employment has been terminated and the determination of the termination date for the purposes of this Agreement (or whether, and the date upon which, the Participant has suffered a disability under Section 7(c)) shall be determined by the Committee or (with respect to any employee other than an “Executive Officer” as defined under the Plan) its designee (who, at the date of this Agreement, shall be the Corporation’s Vice President of Human Resources), whose good faith determination shall be final, binding and conclusive; provided, that such designee may not make any such determination with respect to his or her own employment.

8. Dividends. If the Corporation pays a cash dividend on its common stock, the Participant shall accrue in his or her Dividend Account (as defined below) a cash dividend equivalent with respect to the Restricted Units credited to the Participant’s Unit Account as of the record date for the dividend, with each Restricted Unit being equivalent to one share of common stock. The Corporation shall cause an account (the “Dividend Account”) to be established and maintained as part of the records of the Corporation to evidence the aggregate cash dividend equivalents accrued by the Participant from time to time under this Section. No interest shall accrue on any amounts reflected in the Dividend Account. The Participant’s interest in the amounts reflected in the Dividend Account shall be that of a general, unsecured creditor of the Corporation. Subject to, and as promptly as practicable following, the issuance of the Shares pursuant to Section 13 hereunder, the Corporation shall pay an amount in cash (without interest and subject to applicable withholding taxes) to the Participant (or his or her beneficiaries, heirs, executors, administrators or successors in interest who are issued the Shares pursuant to Section 13 hereunder) equal to the aggregate cash dividend equivalents accrued in the Participant’s Dividend Account and the Participant’s Dividend Account shall be eliminated at that time. In the event that the Participant forfeits his or her rights to the Restricted Units, the Participant also shall be deemed to have forfeited his or her rights to any cash dividend equivalents accrued in the Participant’s Dividend Account and the Participant’s Dividend Account shall be eliminated at that time.

9. *No Right to Continued Employment.* Nothing in this Agreement or the Plan shall be interpreted or construed to confer upon the Participant any right to continue employment by the Corporation or any of its subsidiaries, nor shall this Agreement or the Plan interfere in any way with the right of the Corporation or any of its subsidiaries to terminate the Participant's employment at any time for any reason whatsoever, whether or not with cause.

10. *No Rights as a Stockholder.* The Participant's interest in the Restricted Units shall not entitle the Participant to any rights as a stockholder of the Corporation. The Participant shall not be deemed to be the holder of, or have any of the rights and privileges of a stockholder of the Corporation in respect of, the Shares unless and until such Shares have been issued to the Participant in accordance Section 13.

11. *Adjustments Upon Change in Capitalization.* In the event of any reorganization, merger, consolidation, recapitalization, reclassification, stock split, stock dividend or similar capital adjustment, as a result of which shares of any class shall be issued in respect of outstanding shares of the Corporation's Common Stock or shares of Corporation's Common Stock shall be changed into a different number of shares or into another class or classes or into other property or cash, the Restricted Units, the Participant's Unit Account and/or the Shares shall be adjusted to reflect such event so as to preserve (without enlarging) the value of the award hereunder, with the manner of such adjustment to be determined by the Committee in its sole discretion. This paragraph shall also apply with respect to any extraordinary dividend or other extraordinary distribution in respect of the Corporation's Common Stock (whether in the form of cash or other property).

12. *General Restrictions.* Notwithstanding anything in this Agreement to the contrary, the Corporation shall have no obligation to issue or transfer the Shares as contemplated by this agreement unless and until such issuance or transfer shall comply with all relevant provisions of law and the requirements of any stock exchange on which the Corporation's shares are listed for trading.

13. *Issuance of Shares.* Upon the expiration or termination of the Restricted Period and payment by the Participant of any applicable taxes pursuant to Section 14 of this Agreement, the Corporation shall, as soon as reasonably practicable (and in any event within 75 days of the termination or expiration of the Restricted Period), but subject to any delay necessary to comply with Section 12 hereof, issue the Shares to the Participant, free and clear of all restrictions; provided, that if the termination of the Restricted Period results from a Section 409A Change in Control Event, then notwithstanding the foregoing, the Shares shall be issued within 30 days of the Section 409A Change in Control Event. The Corporation shall not be required to deliver any fractional Shares, but shall pay, in lieu thereof, the fair market value (as defined in the Plan) as of the date the restrictions lapse of such fractional share to the Participant. The Corporation shall pay any costs incurred in connection with issuing the Shares. Upon the issuance of the Shares to the Participant, the Participant's Unit Account shall be eliminated. Notwithstanding the provisions of this Section, in the event of the death of the Participant prior to the issuance of the Shares under this Section 13, the issuance of the Shares and any payment in lieu of fractional Shares shall be made to the Participant's beneficiaries, heirs, executors, administrators or successors in interest as the case may be.

14. Tax Withholding. Upon the expiration or termination of the Restricted Period, the Participant shall remit to the Corporation the minimum amount necessary to satisfy Federal, state, local or foreign withholding tax requirements, if any (“Withholding Taxes”) as a condition to the Corporation’s issuance of any Shares as provided in Section 13. The payment shall be in (i) cash, (ii) the delivery of Shares, (iii) a reduction in the number of Shares otherwise issuable or deliverable or other amounts otherwise payable to the Participant pursuant to this Agreement, or (iv) a combination of (i), (ii) and/or (iii). The value of any Shares delivered or withheld as payment in respect of withholding tax requirements shall be determined by reference to the Fair Market Value of such Shares as of the date of such withholding or delivery. In the event that Withholding Taxes are satisfied by withholding a portion of the Shares otherwise issuable or deliverable to the Participant pursuant to this Agreement, the Corporation shall not withhold any Shares in excess of the minimum number of Shares necessary to satisfy the applicable Withholding Taxes.

15. Subsidiary. As used herein, the term “subsidiary” shall mean, as to any person, any corporation, association, partnership, joint venture or other business entity of which 50% or more of the voting stock or other equity interests (in the case of entities other than corporations), is owned or controlled (directly or indirectly) by that entity, or by one or more of the Subsidiaries of that entity, or by a combination thereof.

16. Plan Governs. The Participant hereby acknowledges receipt of a copy of the Plan and agrees to be bound by its terms, all of which are incorporated herein by reference. The Plan shall govern in the event of any conflict between this Agreement and the Plan.

17. Modification of Agreement. This Agreement may be not be modified, amended, suspended or terminated, and any terms or conditions may not be waived, without the approval of the Committee. The Committee reserves the right to amend or modify this Agreement at any time without prior notice to any Participant or other interested party; provided, that except as expressly provided hereunder, any such amendment or modification may not adversely affect in any material respect the Participant’s rights or benefits hereunder except for such amendments or modifications as are required by law.

18. Severability. Should any provision of this Agreement be held by a court of competent jurisdiction to be unenforceable or invalid for any reason, the remaining provisions of this Agreement shall not be affected by such holding and shall continue in full force in accordance with their terms.

19. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of New York without giving effect to the conflicts of laws principles thereof. If the Participant has received a copy of this Agreement (or the Plan or any other document related hereto or thereto) translated into a language other than English, such translated copy is qualified in its entirety by reference to the English version thereof, and in the event of any conflict the English version will govern.

20. Successors in Interest. This Agreement shall inure to the benefit of and be binding upon any successor to the Corporation. This Agreement shall inure to the benefit of the Participant or the Participant’s legal representatives. All obligations imposed upon the Participant and all rights granted to the Corporation under this Agreement shall be final, binding and conclusive upon the Participant’s heirs, executors, administrators and successors.

21. Administration. The Committee shall have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee shall be final and binding upon the Participant, the Corporation and all other interested persons. No member of the Committee shall be personally liable for any action determination or interpretation made in good faith with respect to the Plan or the Restricted Units. In its absolute discretion, the Board of Directors may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan and this Agreement.

22. Resolution of Disputes. Any dispute or disagreement which may arise under, or as a result of, or in any way related to, the interpretation, construction or application of this Agreement shall be determined by the Committee. Any determination made hereunder shall be final, binding and conclusive on the Participant and Corporation for all purposes.

23. Data Privacy Consent. As a condition of the grant of the Restricted Units, the Participant hereby consents to the collection, use and transfer of personal data as described in this paragraph. The Participant understands that the Corporation and its subsidiaries hold certain personal information about the Participant, including name, home address and telephone number, date of birth, social security number, salary, nationality, job title, ownership interests or directorships held in the Corporation or its subsidiaries, and details of all restricted units or other equity awards or other entitlements to shares of common stock awarded, cancelled, exercised, vested or unvested ("Data"). The Participant further understands that the Corporation and its subsidiaries will transfer Data among themselves as necessary for the purposes of implementation, administration and management of the Participant's participation in the Plan, and that the Corporation and any of its subsidiaries may each further transfer Data to any third parties assisting the Corporation in the implementation, administration and management of the Plan. The Participant understands that these recipients may be located in the European Economic Area or elsewhere, such as the United States. The Participant hereby authorizes them to receive, possess, use, retain and transfer such Data as may be required for the administration of the Plan or the subsequent holding of shares of common stock on the Participant's behalf, in electronic or other form, for the purposes of implementing, administering and managing the Participant's participation in the Plan, including any requisite transfer to a broker or other third party with whom the Participant may elect to deposit any shares of common stock acquired under the Plan. The Participant may, at any time, view such Data or require any necessary amendments to it.

24. Limitation on Rights; No Right to Future Grants; Extraordinary Item of Compensation. By accepting this Agreement and the grant of the Restricted Units contemplated hereunder, the Participant expressly acknowledges that (a) the Plan is discretionary in nature and may be suspended or terminated by the Corporation at any time; (b) the grant of Restricted Units is a one-time benefit that does not create any contractual or other right to receive future grants of restricted units, or benefits in lieu of restricted units; (c) all determinations with respect to future grants of restricted units, if any, including the grant date, the number of Shares granted and the restricted period, will be at the sole discretion of the Corporation; (d) the Participant's participation in the Plan is voluntary; (e) the value of the Restricted Units is an extraordinary item of compensation that is outside the scope of the Participant's employment contract, if any, and nothing can or must automatically be inferred from such employment contract or its consequences; (f) grants of restricted units are not part of normal or expected compensation for any purpose and are not to be used for calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments, and the Participant waives any claim on such basis; and (g) the future value of the underlying Shares is unknown and cannot be predicted with certainty. In addition, the Participant understands, acknowledges and agrees that the Participant will have no rights to compensation or damages related to restricted unit proceeds in consequence of the termination of the Participant's employment for any reason whatsoever and whether or not in breach of contract.

25. Award Administrator. The Corporation may from time to time to designate a third party (an “Award Administrator”) to assist the Corporation in the implementation, administration and management of the Plan and any Restricted Units granted thereunder, including by sending Award Letters on behalf of the Corporation to Participants, and by facilitating through electronic means acceptance of Restricted Unit Agreements by Participants.

26. Section 409A. This Agreement is intended to comply with the provisions of Section 409A of the Code and the regulations promulgated thereunder. Without limiting the foregoing, the Committee shall have the right to amend the terms and conditions of this Agreement in any respect as may be necessary or appropriate to comply with Section 409A of the Code or any regulations promulgated thereunder, including without limitation by delaying the issuance of the Shares contemplated hereunder.

27. Book Entry Delivery of Shares. Whenever reference in this Agreement is made to the issuance or delivery of certificates representing one or more Shares, the Corporation may elect to issue or deliver such Shares in book entry form in lieu of certificates.

28. Acceptance. This Agreement shall not be enforceable until it has been executed by the Participant. In the event the Corporation has designated an Award Administrator, the acceptance (including through electronic means) of the Restricted Unit award contemplated by this Agreement in accordance with the procedures established from time to time by the Award Administrator shall be deemed to constitute the Participant’s acknowledgment and agreement to the terms and conditions of this Agreement and shall have the same legal effect in all respects of the Participant having executed this Agreement by hand.



Michael T. Strianese
Chairman and Chief Executive Officer



Ann D. Davidson
Senior Vice President, General Counsel and
Corporate Secretary

Acknowledged and Agreed
as of the date first written above:

Participant ES

Participant Signature

L3 Technologies, Inc.
Restricted Stock Unit Award Notification Letter

Participant: **Participant Name**

Grant Date: **Grant Date**

Awards Granted: **# Shares** Restricted Units

L3 TECHNOLOGIES, INC.
AMENDED AND RESTATED
2008 LONG TERM PERFORMANCE PLAN
RESTRICTED STOCK UNIT AGREEMENT
(CEO Version 2017)

This Restricted Stock Unit Agreement (this “Agreement”), effective as of the Grant Date (as defined below), is between L3 Technologies, Inc., a Delaware corporation (the “Corporation”), and the Participant (as defined below).

1. Definitions. The following terms shall have the following meanings for purposes of this Agreement:

(a) “Award Letter” shall mean the letter to the Participant attached hereto as Exhibit A.

(b) “Code” shall mean the Internal Revenue Code of 1986, as amended from time to time.

(c) “Determination Date” shall mean the date on which the Committee determines whether the Performance Condition (as defined below) has been satisfied.

(d) “Free Cash Flow” shall mean (1) the Corporation’s net cash from operating activities, minus (2) capital expenditures, plus (3) dispositions of property, plant and equipment, in each case determined in accordance with GAAP and as derived from the Corporation’s audited consolidated financial statements prepared in the ordinary course of business; provided, that Free Cash Flow shall be calculated so as to eliminate the effect of: (i) discretionary contributions to pension plans that exceed the contributions forecasted in the Corporation’s most recent internal plan for the year as presented to the Board of Directors prior to the Grant Date; (ii) premiums and other payments in excess of principal and accrued interest associated with the retirement of debt; and (iii) tax payments or benefits associated with gains or losses on business divestitures in calculating net cash from operating activities;

(e) “GAAP” shall mean generally accepted accounting principles in the United States.

(f) “Grant Date” shall mean the “Grant Date” listed in the Award Letter.

(g) “Participant” shall mean the “Participant” listed in the Award Letter.

(h) “Restricted Units” shall mean that number of restricted units listed in the Award Letter as “Awards Granted,” subsection to Section 4(b).

(i) “Section 409A Change in Control Event” shall mean a change in ownership or effective control of the Corporation, or in the ownership of a substantial portion of the assets of the Corporation, within the meaning of Section 409A(a)(2)(A)(v) of the Code.

(j) “Shares” shall mean a number of shares of the Corporation’s Common Stock, par value \$0.01 per share, equal to the number of Restricted Units outstanding under this Agreement.

2. Grant of Units. The Corporation hereby grants the Restricted Units to the Participant, each of which represents the right to receive one Share upon the expiration or termination of the Restricted Period (as defined below), subject to the terms, conditions and restrictions set forth in the L3 Technologies, Inc. Amended and Restated 2008 Long Term Performance Plan (the “Plan”) and this Agreement.

3. Restricted Unit Account. The Corporation shall cause an account (the "Unit Account") to be established and maintained on the books of the Corporation to record the number of Restricted Units credited to the Participant under the terms of this Agreement, which Unit Account shall be subject to adjustment in accordance with the terms of the Plan and this Agreement, including without limitation Section 4(b). The Participant's interest in the Unit Account shall be that of a general, unsecured creditor of the Corporation.

4. Restricted Period; Performance Condition.

(a) Except as otherwise provided in paragraphs 6 and 7 hereof, the "Restricted Period" shall mean the period beginning on the Grant Date and expiring on the third anniversary of the Grant Date. Subject to Section 4(b) below, upon the expiration or termination of the Restricted Period, the Shares shall be issued to the Participant in accordance with Section 13.

(b) As promptly as practicable following the last day of the fiscal year which includes the Grant Date, the Committee shall determine, subject to Section 4(c), whether: (x) the amount of 1.0% of the Corporation's Free Cash Flow for such fiscal year, exceeds (y) the grant date fair value of the Shares underlying the Restricted Units, determined in accordance with GAAP (such condition, the "Performance Condition"). If the Performance Condition is not satisfied, then:

(1) the number of Restricted Units shall automatically be reduced to the highest whole number that would have resulted in the Performance Condition being satisfied; and

(2) any Restricted Units previously awarded in excess of the number calculated in accordance with clause (1) above (and any cash dividends accrued thereon in accordance with Section 8 hereof) shall be forfeited without any further action on behalf of the Corporation, the Committee or the Participant.

(c) In the event of an equity restructuring, as defined in Financial Accounting Standards Board Accounting Standards Codification 718-10 (formerly Statement of Financial Accounting Standards 123R), the Committee shall modify the Performance Condition to the extent it is affected by such restructuring so as to preserve (without enlarging) the likelihood that such Performance Condition shall be satisfied, with the manner of such adjustment to be determined by the Committee in its sole discretion.

5. Nonalienation of Benefits. No Participant or beneficiary shall have the power or right to transfer, anticipate, or otherwise encumber the Participant's interest under this Agreement. The provisions of this Agreement shall inure to the benefit of the Participant and the Participant's beneficiaries, heirs, executors, administrators or successors in interest.

6. Change in Control During Restricted Period. Upon the occurrence of a "change in control" that constitutes a Section 409A Change in Control Event, the Restricted Period shall automatically terminate and, if the Determination Date has not occurred, the Performance Condition shall automatically be waived, and the Shares shall thereafter be issued to the Participant in accordance with Section 13. In the event of any other "change in control" prior to the Determination Date the Performance Condition shall automatically be waived, but the Restricted Period shall not be immediately affected, and shall subsequently terminate (and the Shares shall thereafter be issued to the Participant in accordance with Section 13) upon the earliest to occur of: (a) a Section 409A Change in Control Event, (b) the Participant's death, (c) the Participant's "disability" (as defined in Section 7(c) hereof) or (d) the third anniversary of the Grant Date. For purposes of this Agreement, a "change in control" means:

(a) The acquisition by any person or group (including a group within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act), other than the Corporation or any of its subsidiaries, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of a majority of the combined voting power of the Corporation's then outstanding voting securities, other than by any employee benefit plan maintained by the Corporation;

(b) The sale of all or substantially all the assets of the Corporation and its subsidiaries taken as a whole;

(c) The consummation of a merger, combination, consolidation, recapitalization or other reorganization of the Corporation with one or more other entities that are not subsidiaries if, as a result of the consummation of the merger, combination, consolidation, recapitalization or other reorganization, less than 50 percent of the outstanding voting securities of the surviving or resulting corporation shall immediately after the event be beneficially owned in the aggregate by the stockholders of the Corporation immediately prior to the event; or

(d) The election, including the filling of vacancies, during any period of 24 months or less, of 50% or more of the members of the Board of Directors, without the approval of Continuing Directors, as constituted at the beginning of such period. "Continuing Directors" shall mean any director of the Corporation who either (i) is a member of the Board of Directors on the Grant Date, or (ii) is nominated for election to the Board of Directors by a majority of the Board which is comprised of directors who were, at the time of such nomination, Continuing Directors.

7. Termination of Employment or Disability During Restricted Period.

(a) In the event that the Participant's employment with the Corporation and its subsidiaries is terminated (other than by reason of death, "retirement" or "disability," as defined below) prior to the expiration or termination of the Restricted Period and prior to the occurrence of a "change in control" (as defined in Section 6), the Participant shall forfeit the Restricted Units and all of the Participant's rights hereunder shall cease (unless otherwise provided for by the Committee in accordance with the Plan). The Participant's rights to the Restricted Units shall not be affected by any change in the nature of the Participant's employment so long as the Participant continues to be an employee of the Corporation or any of its subsidiaries.

(b) In the event the Participant terminates employment with the Corporation and its subsidiaries because of "retirement" prior to the expiration or termination of the Restricted Period and prior to the occurrence of a "change in control" (as defined in Section 6), the Restricted Period and the Performance Condition shall not be affected and shall expire with the passage of time or be satisfied or not satisfied, as applicable, in each case in accordance with paragraph 4, except that (i) in the event that the Participant dies following retirement but prior to the expiration of the Restricted Period, the Restricted Period shall automatically terminate and in the event the Determination Date has not occurred, the Performance Condition shall be waived, and the Shares shall thereafter be delivered in accordance with Section 13 and (ii) the Restricted Period may earlier terminate and the Performance Condition may be waived in accordance with Section 6. For purposes of this Agreement, retirement means the Participant (A) terminates employment with the Corporation and its subsidiaries other than for Cause (and is not subject to termination for Cause at the time of such termination) more than one year after the Grant Date, (B) is available for consultation with the Corporation or any of its subsidiaries at the reasonable request of the Corporation or one of its subsidiaries and (C) terminates employment either (i) on or after attaining age 60 and completing at least five years of service in the aggregate with the Corporation and its subsidiaries (which service must be continuous through the date of termination except for a single break in service that does not exceed one year in length), or (ii) on or after attaining age 65. For purposes of this Agreement, "Cause" means the Participant's (1) intentional failure to perform reasonably assigned duties, (2) dishonesty or willful misconduct in the performance of duties, (3) engaging in a transaction in connection with the performance of duties to the Corporation or its subsidiaries which transaction is adverse to the interests of the Corporation and is engaged in for personal profit or (4) willful violation of any law, rule or regulation in connection with the performance of duties (other than traffic violations or similar offenses).

(c) Upon Participant's death or "disability" (as defined below), the Restricted Period shall automatically terminate and in the event the Determination Date has not occurred, the Performance Condition shall be waived, and the Shares shall thereafter be issued in accordance with Section 13. For purposes of this Agreement, disability means the Participant, (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Participant's employer.

(d) Whether (and the circumstances under which) employment has been terminated and the determination of the termination date for the purposes of this Agreement (or whether, and the date upon which, the Participant has suffered a disability under Section 7(c)) shall be determined by the Committee or (with respect to any employee other than an "Executive Officer" as defined under the Plan) its designee (who, at the date of this Agreement, shall be the Corporation's Vice President of Human Resources), whose good faith determination shall be final, binding and conclusive; provided, that such designee may not make any such determination with respect to his or her own employment.

8. Dividends. If the Corporation pays a cash dividend on its common stock, the Participant shall accrue in his or her Dividend Account (as defined below) a cash dividend equivalent with respect to the Restricted Units credited to the Participant's Unit Account as of the record date for the dividend, with each Restricted Unit being equivalent to one share of common stock. The Corporation shall cause an account (the "Dividend Account") to be established and maintained as part of the records of the Corporation to evidence the aggregate cash dividend equivalents accrued by the Participant from time to time under this Section. No interest shall accrue on any amounts reflected in the Dividend Account. The Participant's interest in the amounts reflected in the Dividend Account shall be that of a general, unsecured creditor of the Corporation. Subject to, and as promptly as practicable following, the issuance of the Shares pursuant to Section 13 hereunder, the Corporation shall pay an amount in cash (without interest and subject to applicable withholding taxes) to the Participant (or his or her beneficiaries, heirs, executors, administrators or successors in interest who are issued the Shares pursuant to Section 13 hereunder) equal to the aggregate cash dividend equivalents accrued in the Participant's Dividend Account and the Participant's Dividend Account shall be eliminated at that time. In the event that the Participant forfeits his or her rights to any or all of the Restricted Units, including pursuant to Section 4(b) hereof, the Participant also shall be deemed to have forfeited his or her rights to any cash dividend equivalents accrued in the Participant's Dividend Account in respect of such forfeited Restricted Units and, if no Restricted Units remain outstanding under this Agreement the Participant's Dividend Account shall be eliminated at that time.

9. No Right to Continued Employment. Nothing in this Agreement or the Plan shall be interpreted or construed to confer upon the Participant any right to continue employment by the Corporation or any of its subsidiaries, nor shall this Agreement or the Plan interfere in any way with the right of the Corporation or any of its subsidiaries to terminate the Participant's employment at any time for any reason whatsoever, whether or not with cause.

10. No Rights as a Stockholder. The Participant's interest in the Restricted Units shall not entitle the Participant to any rights as a stockholder of the Corporation. The Participant shall not be deemed to be the holder of, or have any of the rights and privileges of a stockholder of the Corporation in respect of, the Shares unless and until such Shares have been issued to the Participant in accordance Section 13.

11. Adjustments Upon Change in Capitalization. In the event of any reorganization, merger, consolidation, recapitalization, reclassification, stock split, stock dividend or similar capital adjustment, as a result of which shares of any class shall be issued in respect of outstanding shares of the Corporation's Common Stock or shares of Corporation's Common Stock shall be changed into a different number of shares or into another class or classes or into other property or cash, the Restricted Units, the Participant's Unit Account and/or the Shares shall be adjusted to reflect such event so as to preserve (without enlarging) the value of the award hereunder, with the manner of such adjustment to be determined by the Committee in its sole discretion. This paragraph shall also apply with respect to any extraordinary dividend or other extraordinary distribution in respect of the Corporation's Common Stock (whether in the form of cash or other property).

12. General Restrictions. Notwithstanding anything in this Agreement to the contrary, the Corporation shall have no obligation to issue or transfer the Shares as contemplated by this agreement unless and until such issuance or transfer shall comply with all relevant provisions of law and the requirements of any stock exchange on which the Corporation's shares are listed for trading.

13. Issuance of Shares. Upon the expiration or termination of the Restricted Period and payment by the Participant of any applicable taxes pursuant to Section 14 of this Agreement, the Corporation shall, as soon as reasonably practicable (and in any event within 75 days of the termination or expiration of the Restricted Period), but subject to any delay necessary to comply with Section 12 hereof, issue the Shares to the Participant, free and clear of all restrictions; provided, that if the termination of the Restricted Period results from a Section 409A Change in Control Event, then notwithstanding the foregoing, the Shares shall be issued within 30 days of the Section 409A Change in Control Event. The Corporation shall not be required to deliver any fractional Shares, but shall pay, in lieu thereof, the fair market value (as defined in the Plan) as of the date the restrictions lapse of such fractional share to the Participant. The Corporation shall pay any costs incurred in connection with issuing the Shares. Upon the issuance of the Shares to the Participant, the Participant's Unit Account shall be eliminated. Notwithstanding the provisions of this Section, in the event of the death of the Participant prior to the issuance of the Shares under this Section 13, the issuance of the Shares and any payment in lieu of fractional Shares shall be made to the Participant's beneficiaries, heirs, executors, administrators or successors in interest as the case may be.

14. Tax Withholding. Upon the expiration or termination of the Restricted Period, the Participant shall remit to the Corporation the minimum amount necessary to satisfy Federal, state, local or foreign withholding tax requirements, if any (“Withholding Taxes”) as a condition to the Corporation’s issuance of any Shares as provided in Section 13. The payment shall be in (i) cash, (ii) the delivery of Shares, (iii) a reduction in the number of Shares otherwise issuable or deliverable or other amounts otherwise payable to the Participant pursuant to this Agreement, or (iv) a combination of (i), (ii) and/or (iii). The value of any Shares delivered or withheld as payment in respect of withholding tax requirements shall be determined by reference to the Fair Market Value of such Shares as of the date of such withholding or delivery. In the event that Withholding Taxes are satisfied by withholding a portion of the Shares otherwise issuable or deliverable to the Participant pursuant to this Agreement, the Corporation shall not withhold any Shares in excess of the minimum number of Shares necessary to satisfy the applicable Withholding Taxes.

15. Subsidiary. As used herein, the term “subsidiary” shall mean, as to any person, any corporation, association, partnership, joint venture or other business entity of which 50% or more of the voting stock or other equity interests (in the case of entities other than corporations), is owned or controlled (directly or indirectly) by that entity, or by one or more of the Subsidiaries of that entity, or by a combination thereof.

16. Plan Governs. The Participant hereby acknowledges receipt of a copy of the Plan and agrees to be bound by its terms, all of which are incorporated herein by reference. The Plan shall govern in the event of any conflict between this Agreement and the Plan.

17. Modification of Agreement. This Agreement may not be modified, amended, suspended or terminated, and any terms or conditions may not be waived, without the approval of the Committee. The Committee reserves the right to amend or modify this Agreement at any time without prior notice to any Participant or other interested party; provided, that except as expressly provided hereunder, any such amendment or modification may not adversely affect in any material respect the Participant’s rights or benefits hereunder except for such amendments or modifications as are required by law.

18. Severability. Should any provision of this Agreement be held by a court of competent jurisdiction to be unenforceable or invalid for any reason, the remaining provisions of this Agreement shall not be affected by such holding and shall continue in full force in accordance with their terms.

19. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of New York without giving effect to the conflicts of laws principles thereof. If the Participant has received a copy of this Agreement (or the Plan or any other document related hereto or thereto) translated into a language other than English, such translated copy is qualified in its entirety by reference to the English version thereof, and in the event of any conflict the English version will govern.

20. Successors in Interest. This Agreement shall inure to the benefit of and be binding upon any successor to the Corporation. This Agreement shall inure to the benefit of the Participant or the Participant’s legal representatives. All obligations imposed upon the Participant and all rights granted to the Corporation under this Agreement shall be final, binding and conclusive upon the Participant’s heirs, executors, administrators and successors.

21. Administration. The Committee shall have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee shall be final and binding upon the Participant, the Corporation and all other interested persons. No member of the Committee shall be personally liable for any action determination or interpretation made in good faith with respect to the Plan or the Restricted Units. In its absolute discretion, the Board of Directors may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan and this Agreement.

22. Resolution of Disputes. Any dispute or disagreement which may arise under, or as a result of, or in any way related to, the interpretation, construction or application of this Agreement shall be determined by the Committee. Any determination made hereunder shall be final, binding and conclusive on the Participant and Corporation for all purposes.

23. Data Privacy Consent. As a condition of the grant of the Restricted Units, the Participant hereby consents to the collection, use and transfer of personal data as described in this paragraph. The Participant understands that the Corporation and its subsidiaries hold certain personal information about the Participant, including name, home address and telephone number, date of birth, social security number, salary, nationality, job title, ownership interests or directorships held in the Corporation or its subsidiaries, and details of all restricted units or other equity awards or other entitlements to shares of common stock awarded, cancelled, exercised, vested or unvested ("Data"). The Participant further understands that the Corporation and its subsidiaries will transfer Data among themselves as necessary for the purposes of implementation, administration and management of the Participant's participation in the Plan, and that the Corporation and any of its subsidiaries may each further transfer Data to any third parties assisting the Corporation in the implementation, administration and management of the Plan. The Participant understands that these recipients may be located in the European Economic Area or elsewhere, such as the United States. The Participant hereby authorizes them to receive, possess, use, retain and transfer such Data as may be required for the administration of the Plan or the subsequent holding of shares of common stock on the Participant's behalf, in electronic or other form, for the purposes of implementing, administering and managing the Participant's participation in the Plan, including any requisite transfer to a broker or other third party with whom the Participant may elect to deposit any shares of common stock acquired under the Plan. The Participant may, at any time, view such Data or require any necessary amendments to it.

24. Limitation on Rights; No Right to Future Grants; Extraordinary Item of Compensation. By accepting this Agreement and the grant of the Restricted Units contemplated hereunder, the Participant expressly acknowledges that (a) the Plan is discretionary in nature and may be suspended or terminated by the Corporation at any time; (b) the grant of Restricted Units is a one-time benefit that does not create any contractual or other right to receive future grants of restricted units, or benefits in lieu of restricted units; (c) all determinations with respect to future grants of restricted units, if any, including the grant date, the number of Shares granted and the restricted period, will be at the sole discretion of the Corporation; (d) the Participant's participation in the Plan is voluntary; (e) the value of the Restricted Units is an extraordinary item of compensation that is outside the scope of the Participant's employment contract, if any, and nothing can or must automatically be inferred from such employment contract or its consequences; (f) grants of restricted units are not part of normal or expected compensation for any purpose and are not to be used for calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments, and the Participant waives any claim on such basis; and (g) the future value of the underlying Shares is unknown and cannot be predicted with certainty. In addition, the Participant understands, acknowledges and agrees that the Participant will have no rights to compensation or damages related to restricted unit proceeds in consequence of the termination of the Participant's employment for any reason whatsoever and whether or not in breach of contract.

25. Award Administrator. The Corporation may from time to time to designate a third party (an “Award Administrator”) to assist the Corporation in the implementation, administration and management of the Plan and any Restricted Units granted thereunder, including by sending Award Letters on behalf of the Corporation to Participants, and by facilitating through electronic means acceptance of Restricted Unit Agreements by Participants.

26. Section 409A. This Agreement is intended to comply with the provisions of Section 409A of the Code and the regulations promulgated thereunder. Without limiting the foregoing, the Committee shall have the right to amend the terms and conditions of this Agreement in any respect as may be necessary or appropriate to comply with Section 409A of the Code or any regulations promulgated thereunder, including without limitation by delaying the issuance of the Shares contemplated hereunder.

27. Book Entry Delivery of Shares. Whenever reference in this Agreement is made to the issuance or delivery of certificates representing one or more Shares, the Corporation may elect to issue or deliver such Shares in book entry form in lieu of certificates.

28. Acceptance. This Agreement shall not be enforceable until it has been executed by the Participant. In the event the Corporation has designated an Award Administrator, the acceptance (including through electronic means) of the Restricted Unit award contemplated by this Agreement in accordance with the procedures established from time to time by the Award Administrator shall be deemed to constitute the Participant’s acknowledgment and agreement to the terms and conditions of this Agreement and shall have the same legal effect in all respects of the Participant having executed this Agreement by hand.



Michael T. Strianese
Chairman and Chief Executive Officer



Ann D. Davidson
Senior Vice President, General Counsel and Corporate Secretary

Acknowledged and Agreed
as of the date first written above:

Participant ES

Participant Signature

L3 Technologies, Inc.
Restricted Stock Unit Award Notification Letter

Participant: **Participant Name**

Grant Date: **Grant Date**

Awards Granted: # **Shares** Restricted Units

L3 TECHNOLOGIES, INC.
AMENDED AND RESTATED
2008 LONG TERM PERFORMANCE PLAN
RESTRICTED STOCK UNIT AGREEMENT
(Senior Executive Version 2017)

This Restricted Stock Unit Agreement (this “Agreement”), effective as of the Grant Date (as defined below), is between L3 Technologies, Inc., a Delaware corporation (the “Corporation”), and the Participant (as defined below).

1. Definitions. The following terms shall have the following meanings for purposes of this Agreement:

(a) “Award Letter” shall mean the letter to the Participant attached hereto as Exhibit A.

(b) “Code” shall mean the Internal Revenue Code of 1986, as amended from time to time.

(c) “Determination Date” shall mean the date on which the Committee determines whether the Performance Condition (as defined below) has been satisfied.

(d) “Free Cash Flow” shall mean (1) the Corporation’s net cash from operating activities, minus (2) capital expenditures, plus (3) dispositions of property, plant and equipment, in each case determined in accordance with GAAP and as derived from the Corporation’s audited consolidated financial statements prepared in the ordinary course of business; provided, that Free Cash Flow shall be calculated so as to eliminate the effect of: (i) discretionary contributions to pension plans that exceed the contributions forecasted in the Corporation’s most recent internal plan for the year as presented to the Board of Directors prior to the Grant Date; (ii) premiums and other payments in excess of principal and accrued interest associated with the retirement of debt; and (iii) tax payments or benefits associated with gains or losses on business divestitures in calculating net cash from operating activities;

(e) “GAAP” shall mean generally accepted accounting principles in the United States.

(f) “Grant Date” shall mean the “Grant Date” listed in the Award Letter.

(g) “Participant” shall mean the “Participant” listed in the Award Letter.

(h) “Restricted Units” shall mean that number of restricted units listed in the Award Letter as “Awards Granted,” subsection to Section 4(b).

(i) “Section 409A Change in Control Event” shall mean a change in ownership or effective control of the Corporation, or in the ownership of a substantial portion of the assets of the Corporation, within the meaning of Section 409A(a)(2)(A)(v) of the Code.

(j) “Shares” shall mean a number of shares of the Corporation’s Common Stock, par value \$0.01 per share, equal to the number of Restricted Units outstanding under this Agreement.

2. Grant of Units. The Corporation hereby grants the Restricted Units to the Participant, each of which represents the right to receive one Share upon the expiration or termination of the Restricted Period (as defined below), subject to the terms, conditions and restrictions set forth in the L3 Technologies, Inc. Amended and Restated 2008 Long Term Performance Plan (the "Plan") and this Agreement.

3. Restricted Unit Account. The Corporation shall cause an account (the "Unit Account") to be established and maintained on the books of the Corporation to record the number of Restricted Units credited to the Participant under the terms of this Agreement, which Unit Account shall be subject to adjustment in accordance with the terms of the Plan and this Agreement, including without limitation Section 4(b). The Participant's interest in the Unit Account shall be that of a general, unsecured creditor of the Corporation.

4. Restricted Period; Performance Condition.

(a) Except as otherwise provided in paragraphs 6 and 7 hereof, the "Restricted Period" shall mean the period beginning on the Grant Date and expiring on the third anniversary of the Grant Date. Subject to Section 4(b) below, upon the expiration or termination of the Restricted Period, the Shares shall be issued to the Participant in accordance with Section 13.

(b) As promptly as practicable following the last day of the fiscal year which includes the Grant Date, the Committee shall determine, subject to Section 4(c), whether: (x) the amount of 0.5% of the Corporation's Free Cash Flow for such fiscal year, exceeds (y) the grant date fair value of the Shares underlying the Restricted Units, determined in accordance with GAAP (such condition, the "Performance Condition"). If the Performance Condition is not satisfied, then:

(1) the number of Restricted Units shall automatically be reduced to the highest whole number that would have resulted in the Performance Condition being satisfied; and

(2) any Restricted Units previously awarded in excess of the number calculated in accordance with clause (1) above (and any cash dividends accrued thereon in accordance with Section 8 hereof) shall be forfeited without any further action on behalf of the Corporation, the Committee or the Participant.

(c) In the event of an equity restructuring, as defined in Financial Accounting Standards Board Accounting Standards Codification 718-10 (formerly Statement of Financial Accounting Standards 123R), the Committee shall modify the Performance Condition to the extent it is affected by such restructuring so as to preserve (without enlarging) the likelihood that such Performance Condition shall be satisfied, with the manner of such adjustment to be determined by the Committee in its sole discretion.

5. Nonalienation of Benefits. No Participant or beneficiary shall have the power or right to transfer, anticipate, or otherwise encumber the Participant's interest under this Agreement. The provisions of this Agreement shall inure to the benefit of the Participant and the Participant's beneficiaries, heirs, executors, administrators or successors in interest.

6. Change in Control During Restricted Period. Upon the occurrence of a “change in control” that constitutes a Section 409A Change in Control Event, the Restricted Period shall automatically terminate and, if the Determination Date has not occurred, the Performance Condition shall automatically be waived, and the Shares shall thereafter be issued to the Participant in accordance with Section 13. In the event of any other “change in control” prior to the Determination Date the Performance Condition shall automatically be waived, but the Restricted Period shall not be immediately affected, and shall subsequently terminate (and the Shares shall thereafter be issued to the Participant in accordance with Section 13) upon the earliest to occur of: (a) a Section 409A Change in Control Event, (b) the Participant’s death, (c) the Participant’s “disability” (as defined in Section 7(c) hereof) or (d) the third anniversary of the Grant Date. For purposes of this Agreement, a “change in control” means:

(a) The acquisition by any person or group (including a group within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act), other than the Corporation or any of its subsidiaries, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of a majority of the combined voting power of the Corporation’s then outstanding voting securities, other than by any employee benefit plan maintained by the Corporation;

(b) The sale of all or substantially all the assets of the Corporation and its subsidiaries taken as a whole;

(c) The consummation of a merger, combination, consolidation, recapitalization or other reorganization of the Corporation with one or more other entities that are not subsidiaries if, as a result of the consummation of the merger, combination, consolidation, recapitalization or other reorganization, less than 50 percent of the outstanding voting securities of the surviving or resulting corporation shall immediately after the event be beneficially owned in the aggregate by the stockholders of the Corporation immediately prior to the event; or

(d) The election, including the filling of vacancies, during any period of 24 months or less, of 50% or more of the members of the Board of Directors, without the approval of Continuing Directors, as constituted at the beginning of such period. "Continuing Directors" shall mean any director of the Corporation who either (i) is a member of the Board of Directors on the Grant Date, or (ii) is nominated for election to the Board of Directors by a majority of the Board which is comprised of directors who were, at the time of such nomination, Continuing Directors.

7. Termination of Employment or Disability During Restricted Period.

(a) In the event that the Participant’s employment with the Corporation and its subsidiaries is terminated (other than by reason of death, “retirement” or “disability,” as defined below) prior to the expiration or termination of the Restricted Period and prior to the occurrence of a “change in control” (as defined in Section 6), the Participant shall forfeit the Restricted Units and all of the Participant’s rights hereunder shall cease (unless otherwise provided for by the Committee in accordance with the Plan). The Participant’s rights to the Restricted Units shall not be affected by any change in the nature of the Participant’s employment so long as the Participant continues to be an employee of the Corporation or any of its subsidiaries.

(b) In the event the Participant terminates employment with the Corporation and its subsidiaries because of “retirement” prior to the expiration or termination of the Restricted Period and prior to the occurrence of a “change in control” (as defined in Section 6), the Restricted Period and the Performance Condition shall not be affected and shall expire with the passage of time or be satisfied or not satisfied, as applicable, in each case in accordance with paragraph 4, except that (i) in the event that the Participant dies following retirement but prior to the expiration of the Restricted Period, the Restricted Period shall automatically terminate and in the event the Determination Date has not occurred, the Performance Condition shall be waived, and the Shares shall thereafter be delivered in accordance with Section 13 and (ii) the Restricted Period may earlier terminate and the Performance Condition may be waived in accordance with Section 6. For purposes of this Agreement, retirement means the Participant (A) terminates employment with the Corporation and its subsidiaries other than for Cause (and is not subject to termination for Cause at the time of such termination) more than one year after the Grant Date, (B) is available for consultation with the Corporation or any of its subsidiaries at the reasonable request of the Corporation or one of its subsidiaries and (C) terminates employment either (i) on or after attaining age 60 and completing at least five years of service in the aggregate with the Corporation and its subsidiaries (which service must be continuous through the date of termination except for a single break in service that does not exceed one year in length), or (ii) on or after attaining age 65. For purposes of this Agreement, “Cause” means the Participant’s (1) intentional failure to perform reasonably assigned duties, (2) dishonesty or willful misconduct in the performance of duties, (3) engaging in a transaction in connection with the performance of duties to the Corporation or its subsidiaries which transaction is adverse to the interests of the Corporation and is engaged in for personal profit or (4) willful violation of any law, rule or regulation in connection with the performance of duties (other than traffic violations or similar offenses).

(c) Upon Participant’s death or “disability” (as defined below), the Restricted Period shall automatically terminate and in the event the Determination Date has not occurred, the Performance Condition shall be waived, and the Shares shall thereafter be issued in accordance with Section 13. For purposes of this Agreement, disability means the Participant, (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Participant’s employer.

(d) Whether (and the circumstances under which) employment has been terminated and the determination of the termination date for the purposes of this Agreement (or whether, and the date upon which, the Participant has suffered a disability under Section 7(c)) shall be determined by the Committee or (with respect to any employee other than an “Executive Officer” as defined under the Plan) its designee (who, at the date of this Agreement, shall be the Corporation’s Vice President of Human Resources), whose good faith determination shall be final, binding and conclusive; provided, that such designee may not make any such determination with respect to his or her own employment.

8. ***Dividends.*** If the Corporation pays a cash dividend on its common stock, the Participant shall accrue in his or her Dividend Account (as defined below) a cash dividend equivalent with respect to the Restricted Units credited to the Participant’s Unit Account as of the record date for the dividend, with each Restricted Unit being equivalent to one share of common stock. The Corporation shall cause an account (the “Dividend Account”) to be established and maintained as part of the records of the Corporation to evidence the aggregate cash dividend equivalents accrued by the Participant from time to time under this Section. No interest shall accrue on any amounts reflected in the Dividend Account. The Participant’s interest in the amounts reflected in the Dividend Account shall be that of a general, unsecured creditor of the Corporation. Subject to, and as promptly as practicable following, the issuance of the Shares pursuant to Section 13 hereunder, the Corporation shall pay an amount in cash (without interest and subject to applicable withholding taxes) to the Participant (or his or her beneficiaries, heirs, executors, administrators or successors in interest who are issued the Shares pursuant to Section 13 hereunder) equal to the aggregate cash dividend equivalents accrued in the Participant’s Dividend Account and the Participant’s Dividend Account shall be eliminated at that time. In the event that the Participant forfeits his or her rights to any or all of the Restricted Units, including pursuant to Section 4(b) hereof, the Participant also shall be deemed to have forfeited his or her rights to any cash dividend equivalents accrued in the Participant’s Dividend Account in respect of such forfeited Restricted Units and, if no Restricted Units remain outstanding under this Agreement the Participant’s Dividend Account shall be eliminated at that time.

9. *No Right to Continued Employment.* Nothing in this Agreement or the Plan shall be interpreted or construed to confer upon the Participant any right to continue employment by the Corporation or any of its subsidiaries, nor shall this Agreement or the Plan interfere in any way with the right of the Corporation or any of its subsidiaries to terminate the Participant's employment at any time for any reason whatsoever, whether or not with cause.

10. *No Rights as a Stockholder.* The Participant's interest in the Restricted Units shall not entitle the Participant to any rights as a stockholder of the Corporation. The Participant shall not be deemed to be the holder of, or have any of the rights and privileges of a stockholder of the Corporation in respect of, the Shares unless and until such Shares have been issued to the Participant in accordance Section 13.

11. *Adjustments Upon Change in Capitalization.* In the event of any reorganization, merger, consolidation, recapitalization, reclassification, stock split, stock dividend or similar capital adjustment, as a result of which shares of any class shall be issued in respect of outstanding shares of the Corporation's Common Stock or shares of Corporation's Common Stock shall be changed into a different number of shares or into another class or classes or into other property or cash, the Restricted Units, the Participant's Unit Account and/or the Shares shall be adjusted to reflect such event so as to preserve (without enlarging) the value of the award hereunder, with the manner of such adjustment to be determined by the Committee in its sole discretion. This paragraph shall also apply with respect to any extraordinary dividend or other extraordinary distribution in respect of the Corporation's Common Stock (whether in the form of cash or other property).

12. *General Restrictions.* Notwithstanding anything in this Agreement to the contrary, the Corporation shall have no obligation to issue or transfer the Shares as contemplated by this agreement unless and until such issuance or transfer shall comply with all relevant provisions of law and the requirements of any stock exchange on which the Corporation's shares are listed for trading.

13. *Issuance of Shares.* Upon the expiration or termination of the Restricted Period and payment by the Participant of any applicable taxes pursuant to Section 14 of this Agreement, the Corporation shall, as soon as reasonably practicable (and in any event within 75 days of the termination or expiration of the Restricted Period), but subject to any delay necessary to comply with Section 12 hereof, issue the Shares to the Participant, free and clear of all restrictions; provided, that if the termination of the Restricted Period results from a Section 409A Change in Control Event, then notwithstanding the foregoing, the Shares shall be issued within 30 days of the Section 409A Change in Control Event. The Corporation shall not be required to deliver any fractional Shares, but shall pay, in lieu thereof, the fair market value (as defined in the Plan) as of the date the restrictions lapse of such fractional share to the Participant. The Corporation shall pay any costs incurred in connection with issuing the Shares. Upon the issuance of the Shares to the Participant, the Participant's Unit Account shall be eliminated. Notwithstanding the provisions of this Section, in the event of the death of the Participant prior to the issuance of the Shares under this Section 13, the issuance of the Shares and any payment in lieu of fractional Shares shall be made to the Participant's beneficiaries, heirs, executors, administrators or successors in interest as the case may be.

14. Tax Withholding. Upon the expiration or termination of the Restricted Period, the Participant shall remit to the Corporation the minimum amount necessary to satisfy Federal, state, local or foreign withholding tax requirements, if any (“Withholding Taxes”) as a condition to the Corporation’s issuance of any Shares as provided in Section 13. The payment shall be in (i) cash, (ii) the delivery of Shares, (iii) a reduction in the number of Shares otherwise issuable or deliverable or other amounts otherwise payable to the Participant pursuant to this Agreement, or (iv) a combination of (i), (ii) and/or (iii). The value of any Shares delivered or withheld as payment in respect of withholding tax requirements shall be determined by reference to the Fair Market Value of such Shares as of the date of such withholding or delivery. In the event that Withholding Taxes are satisfied by withholding a portion of the Shares otherwise issuable or deliverable to the Participant pursuant to this Agreement, the Corporation shall not withhold any Shares in excess of the minimum number of Shares necessary to satisfy the applicable Withholding Taxes.

15. Subsidiary. As used herein, the term “subsidiary” shall mean, as to any person, any corporation, association, partnership, joint venture or other business entity of which 50% or more of the voting stock or other equity interests (in the case of entities other than corporations), is owned or controlled (directly or indirectly) by that entity, or by one or more of the Subsidiaries of that entity, or by a combination thereof.

16. Plan Governs. The Participant hereby acknowledges receipt of a copy of the Plan and agrees to be bound by its terms, all of which are incorporated herein by reference. The Plan shall govern in the event of any conflict between this Agreement and the Plan.

17. Modification of Agreement. This Agreement may not be modified, amended, suspended or terminated, and any terms or conditions may not be waived, without the approval of the Committee. The Committee reserves the right to amend or modify this Agreement at any time without prior notice to any Participant or other interested party; provided, that except as expressly provided hereunder, any such amendment or modification may not adversely affect in any material respect the Participant’s rights or benefits hereunder except for such amendments or modifications as are required by law.

18. Severability. Should any provision of this Agreement be held by a court of competent jurisdiction to be unenforceable or invalid for any reason, the remaining provisions of this Agreement shall not be affected by such holding and shall continue in full force in accordance with their terms.

19. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of New York without giving effect to the conflicts of laws principles thereof. If the Participant has received a copy of this Agreement (or the Plan or any other document related hereto or thereto) translated into a language other than English, such translated copy is qualified in its entirety by reference to the English version thereof, and in the event of any conflict the English version will govern.

20. Successors in Interest. This Agreement shall inure to the benefit of and be binding upon any successor to the Corporation. This Agreement shall inure to the benefit of the Participant or the Participant’s legal representatives. All obligations imposed upon the Participant and all rights granted to the Corporation under this Agreement shall be final, binding and conclusive upon the Participant’s heirs, executors, administrators and successors.

21. Administration. The Committee shall have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee shall be final and binding upon the Participant, the Corporation and all other interested persons. No member of the Committee shall be personally liable for any action determination or interpretation made in good faith with respect to the Plan or the Restricted Units. In its absolute discretion, the Board of Directors may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan and this Agreement.

22. Resolution of Disputes. Any dispute or disagreement which may arise under, or as a result of, or in any way related to, the interpretation, construction or application of this Agreement shall be determined by the Committee. Any determination made hereunder shall be final, binding and conclusive on the Participant and Corporation for all purposes.

23. Data Privacy Consent. As a condition of the grant of the Restricted Units, the Participant hereby consents to the collection, use and transfer of personal data as described in this paragraph. The Participant understands that the Corporation and its subsidiaries hold certain personal information about the Participant, including name, home address and telephone number, date of birth, social security number, salary, nationality, job title, ownership interests or directorships held in the Corporation or its subsidiaries, and details of all restricted units or other equity awards or other entitlements to shares of common stock awarded, cancelled, exercised, vested or unvested ("Data"). The Participant further understands that the Corporation and its subsidiaries will transfer Data among themselves as necessary for the purposes of implementation, administration and management of the Participant's participation in the Plan, and that the Corporation and any of its subsidiaries may each further transfer Data to any third parties assisting the Corporation in the implementation, administration and management of the Plan. The Participant understands that these recipients may be located in the European Economic Area or elsewhere, such as the United States. The Participant hereby authorizes them to receive, possess, use, retain and transfer such Data as may be required for the administration of the Plan or the subsequent holding of shares of common stock on the Participant's behalf, in electronic or other form, for the purposes of implementing, administering and managing the Participant's participation in the Plan, including any requisite transfer to a broker or other third party with whom the Participant may elect to deposit any shares of common stock acquired under the Plan. The Participant may, at any time, view such Data or require any necessary amendments to it.

24. Limitation on Rights; No Right to Future Grants; Extraordinary Item of Compensation. By accepting this Agreement and the grant of the Restricted Units contemplated hereunder, the Participant expressly acknowledges that (a) the Plan is discretionary in nature and may be suspended or terminated by the Corporation at any time; (b) the grant of Restricted Units is a one-time benefit that does not create any contractual or other right to receive future grants of restricted units, or benefits in lieu of restricted units; (c) all determinations with respect to future grants of restricted units, if any, including the grant date, the number of Shares granted and the restricted period, will be at the sole discretion of the Corporation; (d) the Participant's participation in the Plan is voluntary; (e) the value of the Restricted Units is an extraordinary item of compensation that is outside the scope of the Participant's employment contract, if any, and nothing can or must automatically be inferred from such employment contract or its consequences; (f) grants of restricted units are not part of normal or expected compensation for any purpose and are not to be used for calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments, and the Participant waives any claim on such basis; and (g) the future value of the underlying Shares is unknown and cannot be predicted with certainty. In addition, the Participant understands, acknowledges and agrees that the Participant will have no rights to compensation or damages related to restricted unit proceeds in consequence of the termination of the Participant's employment for any reason whatsoever and whether or not in breach of contract.

25. Award Administrator. The Corporation may from time to time to designate a third party (an “Award Administrator”) to assist the Corporation in the implementation, administration and management of the Plan and any Restricted Units granted thereunder, including by sending Award Letters on behalf of the Corporation to Participants, and by facilitating through electronic means acceptance of Restricted Unit Agreements by Participants.

26. Section 409A. This Agreement is intended to comply with the provisions of Section 409A of the Code and the regulations promulgated thereunder. Without limiting the foregoing, the Committee shall have the right to amend the terms and conditions of this Agreement in any respect as may be necessary or appropriate to comply with Section 409A of the Code or any regulations promulgated thereunder, including without limitation by delaying the issuance of the Shares contemplated hereunder.

27. Book Entry Delivery of Shares. Whenever reference in this Agreement is made to the issuance or delivery of certificates representing one or more Shares, the Corporation may elect to issue or deliver such Shares in book entry form in lieu of certificates.

28. Acceptance. This Agreement shall not be enforceable until it has been executed by the Participant. In the event the Corporation has designated an Award Administrator, the acceptance (including through electronic means) of the Restricted Unit award contemplated by this Agreement in accordance with the procedures established from time to time by the Award Administrator shall be deemed to constitute the Participant’s acknowledgment and agreement to the terms and conditions of this Agreement and shall have the same legal effect in all respects of the Participant having executed this Agreement by hand.



Michael T. Strianese
Chairman and Chief Executive Officer



Ann D. Davidson
Senior Vice President, General Counsel and
Corporate Secretary

Acknowledged and Agreed
as of the date first written above:

Participant ES

Participant Signature

L3 Technologies, Inc.
Restricted Stock Unit Award Notification Letter

Participant: **Participant Name**

Grant Date: **Grant Date**

Awards Granted: # **Shares** Restricted Units

L3 TECHNOLOGIES, INC.
AMENDED AND RESTATED
2008 LONG TERM PERFORMANCE PLAN
RESTRICTED STOCK UNIT AGREEMENT
(Director Deferral Version 0002)

This Restricted Stock Unit Agreement (this "Agreement"), effective as of the Grant Date (as defined below), is between L3 Technologies, Inc., a Delaware corporation (the "Corporation"), and the Participant (as defined below).

1. Definitions. The following terms shall have the following meanings for purposes of this Agreement:

(a) "Award Letter" shall mean the letter to the Participant attached hereto as Exhibit A.

(b) "Change in Control" means:

(1) The acquisition by any person or group (including a group within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act), other than the Corporation or any of its subsidiaries, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of a majority of the combined voting power of the Corporation's then outstanding voting securities, other than by any employee benefit plan maintained by the Corporation;

(2) The sale of all or substantially all the assets of the Corporation and its subsidiaries taken as a whole;

(3) The consummation of a merger, combination, consolidation, recapitalization, or other reorganization of the Corporation with one or more other entities that are not subsidiaries if, as a result of the consummation of the merger, combination, consolidation, recapitalization or other reorganization, less than 50 percent of the outstanding voting securities of the surviving or resulting corporation shall immediately after the event be beneficially owned in the aggregate by the stockholders of the Corporation immediately prior to the event; or

(4) The election, including the filling of vacancies, during any period of 24 months or less, of 50% or more of the members of the Board of Directors, without the approval of Continuing Directors, as constituted at the beginning of such period. "Continuing Directors" shall mean any director of the Corporation who either (i) is a member of the Board of Directors on the Grant Date, or (ii) is nominated for election to the Board of Directors by a majority of the Board which is comprised of directors who were, at the time of such nomination, Continuing Directors.

(c) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(d) "Grant Date" shall mean the "Grant Date" listed in the Award Letter.

(e) "Participant" shall mean the "Participant" listed in the Award Letter.

(f) "Restricted Period" shall mean the period beginning on the Grant Date and expiring on the earlier of (i) the date on which the Participant ceases to be a director of the Corporation or (ii) the occurrence of a Change in Control that constitutes a Section 409A Change in Control Event.

(g) "Restricted Units" shall mean that number of restricted units listed in the Award Letter as "Awards Granted," as the same may be adjusted from time to time in accordance with the terms hereof.

(h) "Section 409A Change in Control Event" shall mean a change in ownership or effective control of the Corporation, or in the ownership of a substantial portion of the assets of the Corporation, within the meaning of Section 409A(a)(2)(A)(v) of the Code.

(i) "Shares" shall mean a number of shares of the Corporation's Common Stock, par value \$0.01 per share, equal to the number of Restricted Units.

(j) "Specified Employee" shall mean a "specified employee" as defined in Treasury Regulation Section 1.490A-1(i).

(k) "Vesting Date" shall mean the Grant Date.

2. Grant of Units. The Corporation hereby grants the Restricted Units to the Participant, each of which represents the right to receive one Share upon the expiration of the Restricted Period, subject the terms, conditions and restrictions set forth in the L3 Technologies, Inc. Amended and Restated 2008 Directors Stock Incentive Plan (as amended from time to time, the "Plan") and this Agreement.

3. Restricted Unit Account. The Corporation shall cause an account (the "Unit Account") to be established and maintained on the books of the Corporation to record the number of Restricted Units credited to the Participant under the terms of this Agreement. The Participant's interest in the Unit Account shall be that of a general, unsecured creditor of the Corporation.

4. Nonalienation of Benefits. No Participant or beneficiary shall have the power or right to transfer, anticipate, or otherwise encumber the Participant's interest under this Agreement. The provisions of this Agreement shall inure to the benefit of the Participant and the Participant's beneficiaries, heirs, executors, administrators or successors in interest.

5. Vesting; Forfeiture. Notwithstanding anything in this agreement to the contrary, the Participant shall forfeit the Restricted Units and all of the Participant's rights hereunder shall cease (unless otherwise provided for by the Committee in accordance with the Plan) in the event that either: (a) the Restricted Period expires prior to the Vesting Date or (b) the Participant is removed as director of the Corporation for cause.

6. Dividend Equivalents. If the Corporation pays a cash dividend or distribution on its Common Stock, the Participant's Unit Account shall be credited as of the payment date with an additional number of Restricted Units equal to the following calculation: (i) the amount payable per share of Common Stock outstanding as of record date of the dividend or distribution, multiplied by (ii) the number of Restricted Units credited to the Participant's Unit Account as of the record date for the dividend or distribution, divided by (iii) the Fair Market Value (as defined in the Plan) of a share of Common Stock as of the payment date.

7. No Right to Continue as a Director. Nothing in this Agreement or the Plan shall be interpreted or construed to confer upon the Participant any right to continue as a director of the Corporation, nor shall this Agreement or the Plan interfere in any way with the right of the Corporation or its directors or stockholders to remove the Participant as a director in accordance with the by-laws of the Corporation.

8. No Rights as a Stockholder. The Participant's interest in the Restricted Units shall not entitle the Participant to any rights as a stockholder of the Corporation. The Participant shall not be deemed to be the holder of, or have any of the rights and privileges of a stockholder of the Corporation in respect of, the Shares unless and until such Shares have been issued to the Participant in accordance Section 11.

9. Adjustments Upon Change in Capitalization. In the event of any reorganization, merger, consolidation, recapitalization, reclassification, stock split, stock dividend or similar capital adjustment, as a result of which shares of any class shall be issued in respect of outstanding shares of the Corporation's Common Stock or shares of Corporation's Common Stock shall be changed into a different number of shares or into another class or classes or into other property or cash, the Restricted Units, the Participant's Unit Account and/or the Shares shall be adjusted to reflect such event so as to preserve (without enlarging) the value of the award hereunder, with the manner of such adjustment to be determined by the Committee in its sole discretion. This paragraph shall also apply with respect to any extraordinary dividend or other extraordinary distribution in respect of the Corporation's Common Stock (whether in the form of cash or other property).

10. General Restrictions. Notwithstanding anything in this Agreement to the contrary, the Corporation shall have no obligation to issue or transfer the Shares as contemplated by this agreement unless and until such issuance or transfer shall comply with all relevant provisions of law and the requirements of any stock exchange on which the Corporation's shares are listed for trading.

11. Issuance of Shares. Upon the expiration of the Restricted Period and subject to Sections 5 and 10 and payment by the Participant of any applicable withholding taxes, the Corporation shall, as soon as reasonably practicable (and in any event within 75 days of the expiration of the Restricted Period), issue the Shares to the Participant, free and clear of all restrictions; provided, that if the expiration of the Restricted Period results from a Section 409A Change in Control Event, then notwithstanding the foregoing, the Shares shall be issued within 30 days of the Section 409A Change in Control Event; provided further, that in the event the Participant is a Specified Employee and the expiration of the Restricted Period does not result from the death of the Participant or a Section 409A Change in Control Event, then notwithstanding the foregoing, the Shares shall be issued as soon as reasonably practicable following (and not prior to) the date that is six months after the expiration of the Restricted Period (and in any event within 75 days after such date). The Corporation shall not be required to deliver any fractional Shares, and may pay, in lieu thereof, the Fair Market Value (as defined in the Plan) thereof as of the date on which the Shares first become issuable under this Section. The Corporation shall pay any costs incurred in connection with issuing the Shares. Upon the issuance of the Shares to the Participant, the Participant's Unit Account shall be eliminated.

12. Subsidiary. As used herein, the term "subsidiary" shall mean, as to any person, any corporation, association, partnership, joint venture or other business entity of which 50% or more of the voting stock or other equity interests (in the case of entities other than corporations), is owned or controlled (directly or indirectly) by that entity, or by one or more of the Subsidiaries of that entity, or by a combination thereof.

13. Plan Governs. The Participant hereby acknowledges receipt of a copy of the Plan and agrees to be bound by its terms, all of which are incorporated herein by reference. The Plan shall govern in the event of any conflict between this Agreement and the Plan.

14. Modification of Agreement. This Agreement may be not be modified, amended, suspended or terminated, and any terms or conditions may not be waived, without the approval of the Committee. The Committee reserves the right to amend or modify this Agreement at any time without prior notice to any Participant or other interested party; provided, that except as expressly provided hereunder, any such amendment or modification may not adversely affect in any material respect the Participant's rights or benefits hereunder except for such amendments or modifications as are required by law.

15. Severability. Should any provision of this Agreement be held by a court of competent jurisdiction to be unenforceable or invalid for any reason, the remaining provisions of this Agreement shall not be affected by such holding and shall continue in full force in accordance with their terms.

16. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of New York without giving effect to the conflicts of laws principles thereof. If the Participant has received a copy of this Agreement (or the Plan or any other document related hereto or thereto) translated into a language other than English, such translated copy is qualified in its entirety by reference to the English version thereof, and in the event of any conflict the English version will govern.

17. Successors in Interest. This Agreement shall inure to the benefit of and be binding upon any successor to the Corporation. This Agreement shall inure to the benefit of the Participant or the Participant's legal representatives. All obligations imposed upon the Participant and all rights granted to the Corporation under this Agreement shall be final, binding and conclusive upon the Participant's heirs, executors, administrators and successors.

18. Administration. The Committee shall have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee shall be final and binding upon the Participant, the Corporation and all other interested persons. No member of the Committee shall be personally liable for any action determination or interpretation made in good faith with respect to the Plan or the Restricted Units. In its absolute discretion, the Board of Directors may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan and this Agreement.

19. Resolution of Disputes. Any dispute or disagreement which may arise under, or as a result of, or in any way related to, the interpretation, construction or application of this Agreement shall be determined by the Committee. Any determination made hereunder shall be final, binding and conclusive on the Participant and Corporation for all purposes.

20. Data Privacy Consent. As a condition of the grant of the Restricted Units, the Participant hereby consents to the collection, use and transfer of personal data as described in this paragraph. The Participant understands that the Corporation and its subsidiaries hold certain personal information about the Participant, including name, home address and telephone number, date of birth, social security number, salary, nationality, job title, ownership interests or directorships held in the Corporation or its subsidiaries, and details of all restricted units or other equity awards or other entitlements to shares of common stock awarded, cancelled, exercised, vested or unvested (“Data”). The Participant further understands that the Corporation and its subsidiaries will transfer Data among themselves as necessary for the purposes of implementation, administration and management of the Participant’s participation in the Plan, and that the Corporation and any of its subsidiaries may each further transfer Data to any third parties assisting the Corporation in the implementation, administration and management of the Plan. The Participant understands that these recipients may be located in the European Economic Area or elsewhere, such as the United States. The Participant hereby authorizes them to receive, possess, use, retain and transfer such Data as may be required for the administration of the Plan or the subsequent holding of shares of common stock on the Participant’s behalf, in electronic or other form, for the purposes of implementing, administering and managing the Participant’s participation in the Plan, including any requisite transfer to a broker or other third party with whom the Participant may elect to deposit any shares of common stock acquired under the Plan. The Participant may, at any time, view such Data or require any necessary amendments to it.

21. Limitation on Rights; No Right to Future Grants. By accepting this Agreement and the grant of the Restricted Units contemplated hereunder, the Participant expressly acknowledges that (a) the Plan is discretionary in nature and may be suspended or terminated by the Corporation at any time; (b) the grant of Restricted Units is a one-time benefit that does not create any contractual or other right to receive future grants of restricted units, or benefits in lieu of restricted units; (c) all determinations with respect to future grants of restricted units, if any, including the grant date, the number of Shares granted and the restricted period, will be at the sole discretion of the Corporation; (d) the Participant’s participation in the Plan is voluntary; and (e) the future value of the underlying Shares is unknown and cannot be predicted with certainty.

22. Award Administrator. The Corporation may from time to time to designate a third party (an “Award Administrator”) to assist the Corporation in the implementation, administration and management of the Plan and any Restricted Units granted thereunder, including by sending Award Letters on behalf of the Corporation to Participants, and by facilitating through electronic means acceptance of Restricted Unit Agreements by Participants.

23. Section 409A. This Agreement is intended to comply with the provisions of Section 409A of the Code and the regulations promulgated thereunder. Without limiting the foregoing, the Committee shall have the right to amend the terms and conditions of this Agreement in any respect as may be necessary or appropriate to comply with Section 409A of the Code or any regulations promulgated thereunder, including without limitation by delaying the issuance of the Shares contemplated hereunder.

24. Book Entry Delivery of Shares. Whenever reference in this Agreement is made to the issuance or delivery of certificates representing one or more Shares, the Corporation may elect to issue or deliver such Shares in book entry form in lieu of certificates.

25. Acceptance. This Agreement shall not be enforceable until it has been executed by the Participant. In the event the Corporation has designated an Award Administrator, the acceptance (including through electronic means) of the Restricted Unit award contemplated by this Agreement in accordance with the procedures established from time to time by the Award Administrator shall be deemed to constitute the Participant’s acknowledgment and agreement to the terms and conditions of this Agreement and shall have the same legal effect in all respects of the Participant having executed this Agreement by hand.



Michael T. Strianese
Chairman and Chief Executive Officer



Ann D. Davidson
Senior Vice President, General Counsel and
Corporate Secretary

Acknowledged and Agreed
as of the date first written above:

Participant Signature
Name:

L3 TECHNOLOGIES, INC.
AMENDED AND RESTATED
2008 LONG TERM PERFORMANCE PLAN
PERFORMANCE UNIT AGREEMENT
(Version 0006)

This Performance Unit Agreement (this “Agreement”), effective as of the Grant Date (as defined below), is between L3 Technologies, Inc., a Delaware corporation (the “Corporation” or “L3”), and the Participant (as defined below).

1. **Definitions.** Capitalized terms not otherwise defined herein shall have the respective meanings ascribed to them in the L3 Technologies, Inc. Amended and Restated 2008 Long Term Performance Plan (the “Plan”). The following terms shall have the following meanings for purposes of this Agreement:

(a) “Applicable Unit Multiplier” shall mean, with respect to each Performance Measure, the “Unit Multiplier” calculated pursuant to the Award Letter based on the actual level of achievement for the Performance Period; provided, that in the event of a Change in Control, the “Applicable Unit Multiplier” shall mean 100%, subject to upward adjustment (but not above 200%) to the extent (if any) that the Committee is able, in its sole discretion, to assess that the Corporation’s progress, at or prior to the Change in Control, towards the achievement levels set forth in the Award Letter for such Performance Measure exceeds the “Target” performance level as adjusted to account for the reduced period of actual performance.

(b) “Award Letter” shall mean the award notice to the Participant attached hereto as Exhibit A.

(c) “Cause” shall mean the Participant’s (1) intentional failure to perform reasonably assigned duties, (2) dishonesty or willful misconduct in the performance of duties, (3) engaging in a transaction in connection with the performance of duties to the Corporation or its subsidiaries which transaction is adverse to the interests of the Corporation and is engaged in for personal profit or (4) willful violation of any law, rule or regulation in connection with the performance of duties (other than traffic violations or similar offenses).

(d) “Change in Control” shall mean:

(1) the acquisition by any person or group (including a group within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act), other than the Corporation or any of its subsidiaries, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of a majority more of the combined voting power of the Corporation’s then outstanding voting securities, other than by any employee benefit plan maintained by the Corporation;

(2) the sale of all or substantially all the assets of the Corporation and its subsidiaries taken as a whole;

(3) the consummation of a merger, combination, consolidation, recapitalization or other reorganization of the Corporation with one or more other entities that are not subsidiaries if, as a result of the consummation of the merger, combination, consolidation, recapitalization or other reorganization, less than 50 percent of the outstanding voting securities of the surviving or resulting corporation shall immediately after the event be beneficially owned in the aggregate by the stockholders of the Corporation immediately prior to the event; or

(4) the election, including the filling of vacancies, during any period of 24 months or less, of 50% or more of the members of the Board of Directors, without the approval of Continuing Directors, as constituted at the beginning of such period. "Continuing Directors" shall mean any director of the Corporation who either (i) is a member of the Board of Directors on the Grant Date, or (ii) is nominated for election to the Board of Directors by a majority of the Board which is comprised of directors who were, at the time of such nomination, Continuing Directors.

(e) "Committee" or "Compensation Committee" shall mean the Compensation Committee of the Board of Directors of the Corporation.

(f) "Disability" shall mean that the Participant, (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Participant's employer.

(g) "Fair Market Value" shall mean, with respect to any security, the closing price of the security as reported on the composite tape of New York Stock Exchange issues (or if, at the date of determination, the security is not so listed or if the principal market on which it is traded is not the New York Stock Exchange, such other reporting system as shall be selected by the Committee) on the relevant date, or, if no sale of the security is reported for that date, the next preceding day for which there is a reported sale. The Committee shall determine the Fair Market Value of any security that is not publicly traded, using criteria as it shall determine, in its sole direction, to be appropriate for the valuation.

(h) "Final Cash Performance Unit Dividends" shall mean an amount equal to the aggregate cash dividends that would have been payable on the Final Cash Performance Units if they represented shares of L3 common stock held on all record dates between the Grant Date and the date on which the payment contemplated under Section 10(b) is made; provided, that in the event of an equity restructuring that triggers an adjustment to Performance Measures and/or the number of Performance Units as contemplated by Section 9, the amount of the Final Cash Performance Unit Dividends attributable to record dates that are prior to the date of such equity restructuring shall be calculated based on a number of Final Cash Performance Units that includes the effect of the adjustment to the Performance Measures but excludes the effect of the adjustment to the number of Performance Units.

(i) "Final Cash Performance Units" shall mean the number of Total Earned Performance Units attributable to Performance Measures the payment of which are to be made in cash as specified in the Award Letter.

(j) "Final Stock Performance Unit Dividends" shall mean an amount equal to the aggregate cash dividends that would have been payable on the Final Stock Performance Units if they represented shares of L3 common stock held on all record dates between the Grant Date and the date on which the issuance of Award Shares and the payment of the amounts contemplated under Section 10(c) is made; provided, that in the event of an equity restructuring that triggers an adjustment to Performance Measures and/or the number of Performance Units as contemplated by Section 9, the amount of the Final Cash Performance Unit Dividends attributable to record dates that are prior to the date of such equity restructuring shall be calculated based on a number of Final Cash Performance Units that includes the effect of the adjustment to the Performance Measures but excludes the effect of the adjustment to the number of Performance Units.

(k) "Final Stock Performance Units" shall mean the number of Total Earned Performance Units attributable to Performance Measures the payment of which are to be made in shares of L3 stock as specified in the Award Letter.

(l) "Grant Date" shall mean the "Grant Date" listed in the Award Letter.

(m) "Participant" shall mean the "Participant" listed in the Award Letter.

(n) "Performance Measures" shall mean the performance measures set forth in the Award Letter.

(o) "Performance Period" shall mean the "Performance Period" set forth in the Award Letter, subject to adjustment in accordance with Section 5 hereof.

(p) "Performance Units" shall mean the number of performance units equal to the Total Target Performance Units or, when finally determined in accordance with this Agreement, the Total Earned Performance Units.

(q) "Retirement" shall mean that the Participant (A) terminates employment with the Corporation and its subsidiaries other than for Cause (and is not subject to termination for Cause at the time of such termination), (B) is available for consultation with the Corporation or its subsidiaries at the reasonable request of the Corporation or its subsidiaries and (C) terminates employment either (1) on or after attaining age 60 and completing at least five years of service in the aggregate with the Corporation and its subsidiaries (which service must be continuous through the date of termination except for a single break in service that does not exceed one year in length), or (2) on or after attaining age 65.

(r) "Segmented Target Performance Units" shall mean, with respect to each Performance Measure, the number of "Target Units" set forth in the Award Letter for the Performance Measure, subject to adjustment pursuant to the terms hereof.

(s) "Segmented Earned Performance Units" shall mean, with respect to each Performance Measure, the number of Segmented Target Performance Units multiplied by the Applicable Unit Multiplier.

(t) "Subsidiary" or "subsidiary" shall mean, as to any person, any corporation, association, partnership, joint venture or other business entity of which 50% or more of the voting stock or other equity interests (in the case of entities other than corporations), is owned or controlled (directly or indirectly) by that entity, or by one or more of the Subsidiaries of that entity, or by a combination thereof.

(u) "Total Earned Performance Units" shall mean the sum the Segmented Earned Performance Units for all Performance Measures.

(v) "Total Target Performance Units" shall mean the sum of the Segmented Target Performance Units for all Performance Measures.

2. Target and Final Awards. Subject to the terms, conditions and restrictions set forth in the Plan and this Agreement, the Corporation hereby grants the Performance Units to the Participant. The initial amount of Performance Units granted hereunder represent a target award to the Participant in respect of the Performance Measures for the Performance Period. The final award to the Participant, and the amount of any payments to the Participant hereunder, shall be based on the actual level of achievement of the Performance Measures for the Performance Period subject to the terms of this Agreement.

3. Performance Unit Account. The Corporation shall cause an account (the “Account”) to be established and maintained on the books of the Corporation to record the number of Performance Units credited to the Participant under the terms of this Agreement. The Participant’s interest in the Account shall be that of a general, unsecured creditor of the Corporation. For the avoidance of doubt, neither this Agreement nor the grant of Performance Units hereunder shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Corporation and a Participant or any other person.

4. Nonalienation of Benefits. No Participant or beneficiary shall have the power or right to transfer, anticipate, or otherwise encumber the Participant’s interest under this Agreement. The provisions of this Agreement shall inure to the benefit of the Participant and the Participant’s beneficiaries, heirs, executors, administrators or successors in interest.

5. Change in Control During Performance Period. In the event of a Change in Control, (a) the Segmented Target Performance Units for each Performance Measure shall automatically be adjusted on a pro-rata basis to reflect the number of completed months out of the entire Performance Period as of the date of the Change in Control and (b) the Performance Period shall automatically be deemed to have terminated and the provisions of Section 10 hereof shall become applicable.

6. Termination of Employment or Disability During Performance Period.

(a) If the Participant suffers a Disability, or the Participant’s employment with the Corporation and its subsidiaries is terminated during the Performance Period: (1) by reason of death or Disability, (2) by Retirement at least one year after the first day of the Performance Period, or (3) by the Company without Cause (each, a “Qualified Separation”), the Segmented Target Performance Units for each Performance Measure shall automatically be adjusted on a pro-rata basis to reflect the number of completed months out of the entire Performance Period as of the date the Participant suffered a Disability or the date of the termination of employment, as applicable. Thereafter, the Participant (or his/her beneficiaries, heirs, executors, administrators or successors in interest) shall be entitled to any amounts payable under Section 10 following the termination of the Performance Period in accordance with the terms hereof.

(b) In the event that the Participant’s employment with the Corporation and its subsidiaries is terminated during the Performance Period and is not a Qualified Separation, then the Participant shall forfeit the Performance Units and all of the Participant’s rights hereunder shall cease.

(c) The Participant’s rights to the Performance Units shall not be affected by any change in the nature of the Participant’s employment so long as the Participant continues to be an employee of the Corporation or any of its subsidiaries. Whether (and the circumstances under which) employment has been terminated and the determination of the termination date for the purposes of this Agreement (or whether, and the date upon which, the Participant has suffered a Disability) shall be determined by the Committee or (with respect to any employee other than an “Executive Officer” as defined under the Plan) its designee (who, at the date of this Agreement, shall be the Corporation’s Vice President of Human Resources), whose good faith determination shall be final, binding and conclusive; provided, that such designee may not make any such determination with respect to his or her own employment.

7. No Right to Continued Employment. Nothing in this Agreement shall be interpreted or construed to confer upon the Participant any right to continue employment by the Corporation or any of its subsidiaries, nor shall this Agreement interfere in any way with the right of the Corporation or any of its subsidiaries to terminate the Participant's employment at any time for any reason whatsoever, whether or not with cause.

8. No Rights as a Stockholder. The Participant's interest in the Performance Units shall not entitle the Participant to any rights as a stockholder of the Corporation. The Participant shall not be deemed to be the holder of, or have any of the rights and privileges of a stockholder of the Corporation in respect of, the Award Shares (as defined below) unless and until such shares have been issued to the Participant in accordance with Section 10.

9. Adjustments for Certain Changes. The Committee shall make adjustments in the calculation of any earnings-based Performance Measure to eliminate the effect of any: (a) impairment losses incurred on goodwill and other intangible assets or on debt or equity investments computed in accordance with Financial Accounting Standard No. 142 or other GAAP; (b) gains or losses incurred on the retirement of debt computed in accordance with Financial Accounting Standard No. 145; (c) extraordinary gains and losses in accordance with GAAP; (d) gains and losses in connection with asset dispositions that are not contemplated under the Corporation's most recent internal plan for the year as presented to the Board of Directors prior to the Grant Date; (e) non-cash gains or losses on discontinued operations; (f) adoption by the Company of any new accounting standards required by GAAP or the Securities and Exchange Commission following the Grant Date; (g) gains or losses of \$5 million or more individually, or \$25 million or more in the aggregate, in respect of litigation matters; and (h) gains or losses (other than accrued interest) related to the resolution of income tax contingencies for business acquisitions, to the extent that such contingencies were established as of the dates of such acquisitions in the GAAP purchase price allocations in respect thereof. In the event of an equity restructuring, as defined in Statement of Financial Accounting Standards 123R, which affects the Corporation's common stock, a Participant shall have a legal right to an adjustment to the Performance Measures (including any performance goal in respect of the Performance Measures based on market price per share) and/or the number of Performance Units which shall preserve (without enlarging) the value of the award hereunder, with the manner of such adjustment to be determined by the Committee in its sole discretion.

10. Determination and Payment of Final Awards; Negative Discretion.

(a) As promptly as practicable following the termination of the Performance Period, the Committee shall determine the Applicable Unit Multiplier for each of the Performance Measures (the date of such determination being referred to herein as the "Determination Date").

(b) Subject to clause (f) below, promptly following the Determination Date, the Corporation shall pay the Participant an amount in cash (if any), without interest thereon and subject to applicable withholding taxes, equal to the sum of (1) number of Final Cash Performance Units multiplied by the Fair Market Value per share of L3 common stock as of the last day of the Performance Period, and (2) the Final Cash Performance Unit Dividends. Upon the payment of the cash amount contemplated under this clause (b), the Participant's Account in respect of the Final Cash Performance Units shall be eliminated.

(c) Subject to clause (f) below, promptly following the Determination Date and the payment by the Participant of any applicable taxes pursuant to Section 11 of this Agreement, but subject to any delay necessary to comply with Section 12 hereof, the Corporation shall (1) issue to the Participant, free and clear of all restrictions, a number of shares of L3 common stock (if any) equal to the number of Final Stock Performance Units (the "Award Shares"), and (2) pay the Participant an amount in cash (if any), without interest thereon and subject to applicable withholding taxes, equal to the Final Stock Performance Unit Dividends. The Corporation shall not be required to deliver any fractional shares, but shall pay to the Participant, in lieu thereof, an amount in cash, without interest thereon and subject to applicable withholding taxes, equal to the Fair Market Value as of the last day of the Performance Period of such fractional share. The Corporation shall pay any costs incurred in connection with issuing the Award Shares. Upon the issuance of the Award Shares (and payment of any cash amounts contemplated under this clause (c)) to the Participant, the Participant's Account in respect of the Final Stock Performance Units shall be eliminated.

(d) Subject to the provisions of Sections 11 and 12 with respect to the issuance of Award Shares, all payments of cash or issuances of Award Shares under this Section 10 shall be made no earlier than January 1, and no later than March 15, of the year after the year in which the Performance Period terminates; provided, that notwithstanding the foregoing, in the event the Performance Period terminates as a result of a Change in Control, such payments of cash and issuances of Award Shares shall be made no later than the 30th calendar day following such Change in Control.

(e) Notwithstanding the provisions of this Section, in the event of the death of the Participant prior to the making of any payment or the issuance of the Award Shares under this Section 10, such payment or issuance shall be made to the Participant's beneficiaries, heirs, executors, administrators or successors in interest as the case may be.

(f) Notwithstanding the provisions of this Agreement, the Committee shall have the right to reduce (or eliminate) any amount of cash payable hereunder and/or any amount of shares issuable hereunder to the extent attributable to one or more of the adjustments in the calculation of earnings-based Performance Measures provided for under Section 9, in accordance with any standards or on any other basis (including the Committee's sole discretion) as the Committee may impose.

11. Tax Withholding. As a condition to the Corporation's issuance of the Award Shares (if any), the Participant shall remit to the Corporation the minimum amount necessary to satisfy Federal, state, local and foreign withholding tax requirements, if any ("Withholding Taxes"). The payment shall be in the form of: (i) cash, (ii) the delivery of Shares, (iii) a reduction in the number of Shares otherwise issuable or deliverable or other amounts otherwise payable to the Participant pursuant to this Agreement, or (iv) a combination of (i), (ii) and/or (iii). The value of any Shares delivered or withheld as payment in respect of Withholding Taxes shall be determined by reference to the Fair Market Value of such Shares as of the date of such withholding or delivery. In the event that Withholding Taxes are satisfied by withholding a portion of the Shares otherwise issuable or deliverable to the Participant pursuant to this Agreement, the Corporation shall not withhold any Shares in excess of the minimum number of Shares necessary to satisfy the applicable Withholding Taxes.

12. General Restrictions. Notwithstanding anything in this Agreement to the contrary, the Corporation shall have no obligation to issue or transfer any Award Shares as contemplated by this Agreement unless and until such issuance or transfer shall comply with all relevant provisions of law and the requirements of any stock exchange on which the Corporation's shares are listed for trading.

13. Plan Governs. The Participant hereby acknowledges receipt of a copy of the Plan and agrees to be bound by its terms, all of which are incorporated herein by reference. The Plan shall govern in the event of any conflict between this Agreement and the Plan.

14. Modification of Agreement. This Agreement may be not be modified, amended, suspended or terminated, and any terms or conditions may not be waived, without the approval of the Committee. The Committee reserves the right to amend or modify this Agreement at any time without prior notice to any Participant or other interested party; provided, that except as expressly provided hereunder, any such amendment or modification may not adversely affect in any material respect the Participant's rights or benefits hereunder except for such amendments or modifications as are required by law.

15. Severability. Should any provision of this Agreement be held by a court of competent jurisdiction to be unenforceable or invalid for any reason, the remaining provisions of this Agreement shall not be affected by such holding and shall continue in full force in accordance with their terms.

16. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of New York without giving effect to the conflicts of laws principles thereof.

17. Successors in Interest; No Third Party Beneficiaries. This Agreement shall inure to the benefit of and be binding upon any successor to the Corporation. This Agreement shall inure to the benefit of the Participant or the Participant's legal representatives. All obligations imposed upon the Participant and all rights granted to the Corporation under this Agreement shall be final, binding and conclusive upon the Participant's heirs, executors, administrators and successors. Except as expressly provided herein, nothing in this Agreement shall confer any rights upon any person other than the parties hereto and their respective heirs, legal representatives, successors and permitted assigns.

18. Administration. The Committee shall have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee shall be final and binding upon the Participant, the Corporation and all other interested persons. No member of the Committee shall be personally liable for any action determination or interpretation made in good faith with respect to the Plan or the Performance Units. In its absolute discretion, the Board of Directors may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan and this Agreement. The Committee shall have the power to delegate any and all of its rights and duties hereunder to any officer of the Corporation to the extent permitted under applicable law.

19. Resolution of Disputes. Any dispute or disagreement which may arise under, or as a result of, or in any way related to, the interpretation, construction or application of this Agreement shall be determined by the Committee. Any determination made hereunder shall be final, binding and conclusive on the Participant and Corporation for all purposes.

20. Data Privacy Consent. As a condition of the grant of the Performance Units, the Participant hereby consents to the collection, use and transfer of personal data as described in this paragraph. The Participant understands that the Corporation and its subsidiaries hold certain personal information about the Participant, including name, home address and telephone number, date of birth, social security number, salary, nationality, job title, ownership interests or directorships held in the Corporation or its subsidiaries, and details of all performance units or other equity-based awards or other entitlements to shares of common stock awarded, cancelled, exercised, vested or unvested ("Data"). The Participant further understands that the Corporation and its subsidiaries will transfer Data among themselves as necessary for the purposes of implementation, administration and management of the Participant's participation in the Plan, and that the Corporation and any of its subsidiaries may each further transfer Data to any third parties assisting the Corporation in the implementation, administration and management of the Plan. The Participant understands that these recipients may be located in the European Economic Area or elsewhere, such as the United States. The Participant hereby authorizes them to receive, possess, use, retain and transfer such Data as may be required for the administration of the Plan or the subsequent holding of shares of common stock on the Participant's behalf, in electronic or other form, for the purposes of implementing, administering and managing the Participant's participation in the Plan, including any requisite transfer to a broker or other third party with whom the Participant may elect to deposit any shares of common stock acquired under the Plan. The Participant may, at any time, view such Data or require any necessary amendments to it.

21. Limitation on Rights; No Right to Future Grants; Extraordinary Item of Compensation. By accepting this Agreement and the grant of the Performance Units contemplated hereunder, the Participant expressly acknowledges that (a) the grant of Performance Units is a one-time benefit that does not create any contractual or other right to receive future grants of performance units, or benefits in lieu of performance units; (b) all determinations with respect to future grants of Performance Units, if any, including the grant date, the number of Performance Units granted and the performance period, will be at the sole discretion of the Corporation; (c) the Participant's acknowledgment and acceptance of this Agreement is voluntary; (d) the value of the Performance Units is an extraordinary item of compensation that is outside the scope of the Participant's employment contract, if any, and nothing can or must automatically be inferred from such employment contract or its consequences; (e) grants of performance units are not part of normal or expected compensation for any purpose and are not to be used for calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments, and the Participant waives any claim on such basis; (f) the future value of the Performance Units is unknown, cannot be predicted with certainty and may be zero; and (g) the Plan is discretionary in nature and may be suspended or terminated by the Corporation at any time. In addition, the Participant understands, acknowledges and agrees that except as expressly provided hereunder, the Participant will have no rights to compensation or damages related to Performance Unit proceeds in consequence of the termination of the Participant's employment for any reason whatsoever and whether or not in breach of contract.

22. Book Entry Delivery of Award Shares. Whenever reference in this Agreement is made to the issuance or delivery of Award Shares, the Corporation may elect to issue or deliver such shares in book entry form in lieu of certificates.

23. Acceptance. This Agreement shall not be enforceable until it has been executed by the Participant.

By: L3 TECHNOLOGIES, INC.



Michael T. Strianese
Chairman and Chief Executive Officer



Ann D. Davidson
Senior Vice President, General Counsel and
Corporate Secretary

Acknowledged and Agreed
as of the date first written above:

Participant ES

Participant Signature

Performance Unit Award Notice

- A. Participant:** **Participant Name**
- B. Grant Date:** **Grant Date**
- C. Performance Period:** 1/1/2017 through 12/31/2019
- D. Aggregate Target Performance Units:** **# Shares**
- E. Performance Measure(s):**

1. **Diluted Earnings per Share:** "Diluted EPS" means earnings per common share on a fully diluted basis, determined in accordance with generally accepted accounting principles and as derived from L3's audited consolidated financial statements prepared in the ordinary course of business. Diluted EPS shall be adjusted as contemplated by the terms of the Performance Unit Agreement to exclude certain items specified therein.

Portion of Aggregate Award for this Performance Measure: 100%

Target Units for this Performance Measure: **# Shares**

Performance Scale:

| Performance Levels | Cumulative Diluted EPS Required | Unit Multiplier |
|--------------------|---------------------------------|-----------------|
| Maximum | ≥ \$ 30.53 | 200% |
| Target | \$ 27.75 | 100% |
| Threshold | \$ 24.98 | 50% |
| Below Threshold | < \$ 24.98 | 0% |

In the event that the level of actual performance exceeds the Threshold and falls between two of the stated performance levels listed above, the Unit Multiplier will be calculated on a straight-line basis between the two stated Unit Multipliers for those performance levels.

Payment Method: Shares of L3 stock. Subject to the terms of the Performance Unit Agreement, the number of shares will be determined by multiplying (1) the Target Units for this Performance Measure, by (2) the applicable Unit Multiplier.

L3 TECHNOLOGIES, INC.
AMENDED AND RESTATED 2012 CASH INCENTIVE PLAN
(As amended through February 21, 2017)

1. Purpose of the Plan

The purpose of the Plan is to enable the Company and its Subsidiaries to attract, retain, motivate and reward executive officers and key employees by providing them with the opportunity to earn competitive compensation directly linked to the Company's performance or otherwise.

2. Definitions

The following capitalized terms used in the Plan have the respective meanings set forth in this Section:

- (a) "Affiliate" shall mean, with respect to any entity, any entity directly or indirectly controlling, controlled by, or under common control with, such entity.
 - (b) "Board" shall mean the Board of Directors of the Company.
 - (c) "Cause" shall mean the Participant's (1) intentional failure to perform reasonably assigned duties, (2) dishonesty or willful misconduct in the performance of duties, (3) engaging in a transaction in connection with the performance of duties to the Company or its Subsidiaries which transaction is adverse to the interests of the Company and is engaged in for personal profit or (4) willful violation of any law, rule or regulation in connection with the performance of duties (other than traffic violations or similar offenses).
 - (d) "Change in Control" shall have the meaning assigned to such term under the Company's Equity Plan.
 - (e) "Code" shall mean the Internal Revenue Code of 1986, as amended, or any successor thereto, and the regulations and guidance promulgated thereunder.
 - (f) "Committee" shall mean the Compensation Committee of the Board (or a subcommittee thereof), or such other committee of the Board consisting solely of at least two individuals who are intended to qualify as "outside directors" within the meaning of Section 162(m) of the Code, to which the Board has delegated power to act under or pursuant to the provisions of the Plan.
 - (g) "Company" shall mean L3 Technologies, Inc., a Delaware corporation.
 - (h) "Covered Employee" shall have the meaning set forth in Section 162(m) of the Code.
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(i) “Disability” or “Disabled” shall mean, unless otherwise agreed by the Company (or any of its Subsidiaries) in a written agreement or employment letter with such Participant, that the Participant, as a result of incapacity due to physical or mental illness, becomes eligible for benefits under the long-term disability plan or policy of the Company or a Subsidiary in which the Participant is eligible to participate. The Disability determination shall be in the sole discretion of the Committee.

(j) “Equity Plan” shall mean the Company’s Amended and Restated 2008 Long Term Performance Plan, as amended, or any successor plan thereto.

(k) “First Quarter” shall mean the period of calendar days during a given Performance Period that is equal to the lesser of (i) 25% of the full number of calendar days falling within such Performance Period or (ii) 90 days.

(l) “Participant” shall mean each officer of the Company and other key employee of the Company or any of its Subsidiaries whom the Committee designates as a participant under the Plan.

(m) “Performance Period” shall mean each fiscal year of the Company or such shorter or longer period, as determined by the Committee.

(n) “Plan” shall mean this L3 Technologies, Inc. Amended and Restated 2012 Cash Incentive Plan, as set forth herein and as may be amended and in effect from time to time.

(o) “Retirement” shall mean that the Participant (1) terminates employment with the Company and its Subsidiaries other than for Cause (and is not subject to termination for Cause at the time of such termination), (2) is available for consultation with the Company or its Subsidiaries at the reasonable request of the Company or its Subsidiaries and (3) terminates employment on or after attaining age 65 and completing at least five years of service in the aggregate with the Company and its Subsidiaries (which service must be continuous through the date of termination except for a single break in service that does not exceed one year in length).

(p) “Section 409A” shall mean Section 409A of the Code and any rules, regulations and other official guidance promulgated thereunder.

(q) “Service Recipient” shall mean the Company, any of its Subsidiaries, or any of its Affiliates that satisfies the definition of “service recipient” within the meaning of Treasury Regulation Section 1.409A-1 (or any successor regulation), with respect to which the person is a “service provider” (within the meaning of Treasury Regulation Section 1.409A-1(or any successor regulation)).

(r) “Share” shall mean a share of common stock of the Company.

(s) “Subsidiary” shall mean, as to any person, any corporation, association, partnership, joint venture or other business entity of which 50% or more of the voting stock or other equity interests (in the case of entities other than corporations) is owned or controlled (directly or indirectly) by that entity, or by one or more of the Subsidiaries of that entity, or by a combination thereof.

3. Administration

(a) The Plan shall be administered and interpreted by the Committee; provided, however, that the Board may, in its sole discretion, take any action delegated to the Committee under this Plan as it may deem necessary; provided that the Plan shall, to the extent reasonably possible, be administered and interpreted by the Committee in a manner which would be expected to cause any award intended to be qualified as performance-based compensation under Section 162(m) of the Code to so qualify. The Committee shall establish the performance objective(s) for any Performance Period in accordance with Section 4 and certify whether and to what extent such performance objective(s) have been obtained. Any determination made by the Committee under the Plan shall be final, conclusive and binding on the Company, any of its Subsidiaries, any Participant and any other person dealing with the Plan.

(b) The Committee may employ such legal counsel, consultants and agents (including counsel or agents who are employees of the Company or any of its Subsidiaries) as it may deem desirable for the administration of the Plan and may rely upon any opinion received from any such counsel or consultant or agent and any computation received from such consultant or agent. All expenses incurred in the administration of the Plan, including, without limitation, for the engagement of any counsel, consultant or agent, shall be paid by the Company. No member or former member of the Board or the Committee shall be liable for any act, omission, interpretation, construction or determination made in connection with the Plan other than as a result of such individual's willful misconduct.

(c) The Committee may delegate to the officers or employees of the Company the authority to make grants under the Plan and execute and deliver those instruments and documents, to do all acts and things, and to take all other steps deemed necessary, advisable or convenient for the effective administration of this Plan in accordance with its terms and purpose, except that the Committee may not delegate any discretionary authority to grant or amend an award or with respect to substantive decisions or functions regarding this Plan as these relate to any grants made to an "executive officer" as defined in Rule 3b-7 under the Securities Exchange Act of 1934, as amended.

4. Incentive Compensation

(a) Performance Criteria. No later than the last day of the First Quarter of a given Performance Period (or such other date as may be required or permitted under Section 162(m) of the Code), the Committee shall establish the performance objective or objectives that must be satisfied in order for a Participant to receive incentive compensation for each such Performance Period. The Committee may establish different performance objectives for each Performance Period, and may provide for multiple, overlapping Performance Periods hereunder. Any performance objective(s) established hereunder will be based upon the achievement of one or more of the following criteria or any combination thereof, as determined by the Committee: (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) net income; (v) net income or earnings per Share; (vi) book value per Share; (vii) return on equity; (viii) expense management (including without limitation, total general and administrative expense percentages); (ix) return on investment or on invested capital; (x) improvements in capital structure; (xi) profitability of an identifiable business unit or product; (xii) maintenance or improvement of profit margins; (xiii) stock price; (xiv) market share; (xv) revenue or sales (including, without limitation, net loans charged off and average finance receivables); (xvi) costs (including, without limitation, total general and administrative expense percentage); (xvii) cash flow or net funds provided; (xviii) working capital; (xix) total debt (including, without limitation, total debt as a multiple of EBIT or EBITDA), (xx) orders and (xxi) total stockholder return. The foregoing criteria may relate to the Company, one or more of its Subsidiaries, one or more of their respective divisions or business units, or any combination of the foregoing, and may be applied on an absolute basis and/or be relative to one or more peer group companies or indices, or any combination thereof, all as the Committee shall determine. The Committee may provide, at the time when performance objectives are established with respect to a Performance Period (or at such later date as may be permitted under Section 162(m) of the Code), for the adjustment of such performance objectives as it deems equitable in recognition of unusual or non-recurring events affecting the Company, changes in applicable tax laws or accounting principles, or such other factors as the Committee may determine to be appropriate, including, without limitation, the gain or loss on disposal of a business segment. In the event of an equity restructuring, as defined in *Financial Accounting Standards Board Accounting Standards Codification 718-10* (formerly *Statement of Financial Accounting Standards 123R*), that affects the Shares, the Committee shall adjust any and all previously established Share-based performance objectives affected by such restructuring (including without limitation any performance objectives based on stock price) so as to preserve (without enlarging) such Participant's incentive compensation opportunity in respect thereof, with the manner of such adjustment to be determined by the Committee in its sole discretion and in a manner consistent with Section 162(m) of the Code, to the extent applicable.

(b) Incentive Compensation Targets; Discretionary Compensation.

(i) No later than the last day of the First Quarter of a given Performance Period (or such other date as may be required or permitted under Section 162(m) of the Code), the Committee shall establish target incentive compensation amounts for each individual Participant, representing each such Participant's incentive compensation opportunity to the extent that the applicable performance objectives for such Performance Period are achieved.

(ii) The Committee may, in its sole discretion, grant such discretionary compensation, if any, to such Participants, if any, as the Committee may determine, in respect of any given Performance Period, that is not subject to the requirements of Section 4(a) and (c) of this Plan.

(c) Determination of Incentive Compensation Earned/Maximum Amount Payable. As soon as practicable after the applicable Performance Period ends, the Committee shall (x) determine (i) whether and to what extent any of the performance objective(s) established for the relevant Performance Period under Section 4(a) have been satisfied and certify to such determination, and (ii) the actual amount of incentive compensation to which such Participant shall be entitled, taking into consideration the extent to which the performance objective(s) have been met and such other factors as the Committee may deem appropriate pursuant to Section 4(d), and (y) cause such incentive compensation to be paid to such Participant in accordance with Section 5. Any provision of this Plan notwithstanding, in no event shall any Participant earn incentive compensation under this Plan in respect of any fiscal year in excess of \$10,000,000 (such maximum incentive compensation amount to be proportionately adjusted for Performance Periods that are shorter or longer than one year, with multiple incentive opportunities considered in the aggregate in the case where multiple, overlapping Performance Periods are established hereunder).

(d) Negative Discretion. Notwithstanding anything else contained in Section 4(c), 4(e) or 4(h) to the contrary, the Committee shall have the right, to the extent it so provides at the time when performance objectives are established with respect to a Performance Period, (i) to reduce or eliminate the amount otherwise payable to any Participant under Section 4(c) based on individual performance or any other factors that the Committee, in its sole discretion, shall deem appropriate and (ii) to establish rules or procedures that have the effect of limiting the amount payable to each Participant to an amount that is less than the maximum amount otherwise authorized under Section 4(c).

(e) Qualified Termination of Employment. Unless otherwise specified by the Committee at the time when performance objectives are established with respect to a Performance Period, if prior to the last day of any Performance Period for which a Participant is eligible to receive incentive compensation hereunder, the Participant's employment is terminated: (1) by reason of death or Disability, (2) by Retirement at least one year after the first day of the Performance Period, or (3) by the Company without Cause (each, a "Qualified Termination"), then subject to Section 4(d), such Participant shall receive an amount of incentive compensation equal to the incentive compensation otherwise payable to such Participant based upon actual Company performance for the applicable Performance Period, multiplied by a fraction, the numerator of which is the number of days (or, in the case of Performance Periods exceeding one year in length, the number of completed months) that have elapsed during the Performance Period prior to and including the date of the Qualified Termination, and the denominator of which is the total number of days (or, in the case of Performance Periods exceeding one year in length, the total number of months) in the Performance Period.

(f) Other Termination of Employment. Unless otherwise determined by the Committee in a manner consistent with Section 162(m) of the Code (to the extent applicable) and except as may otherwise be provided in Section 4(e) above, no incentive compensation shall be payable under this Plan in respect of any Performance Period to any Participant whose employment terminates prior to the last day of such Performance Period.

(g) Partial Performance Period. To the extent permitted under Section 162(m) of the Code, if a Participant is hired or rehired by the Company (or any of its Subsidiaries) after the beginning of a Performance Period for which incentive compensation is payable hereunder, such Participant may, if determined by the Committee, receive an amount of incentive compensation equal to the incentive compensation otherwise payable to such Participant based upon actual Company performance for the applicable Performance Period, multiplied by a fraction, the numerator of which is the number of days (or, in the case of Performance Periods exceeding one year in length, the number of completed months) of active employment with the Company (or any of its Subsidiaries) during the Performance Period and the denominator of which is the total number of days (or, in the case of Performance Periods exceeding one year in length, the total number of months) in the Performance Period or such other amount as the Committee may deem appropriate.

(h) Change in Control. Unless otherwise specified by the Committee at the time when performance objectives are established with respect to a Performance Period, in the event of a Change in Control prior to the last day of any Performance Period hereunder, then subject to Section 4(d), each Participant eligible to receive incentive compensation thereunder shall receive an amount of incentive compensation based upon achievement at the “target” level of the applicable performance objectives (or, if otherwise determined in the sole discretion of the Committee as constituted immediately prior to the Change in Control, an amount of incentive compensation based upon such higher level of Company performance actually achieved when considered in light of the reduced Performance Period), multiplied by a fraction, the numerator of which is the number of days (or, in the case of Performance Periods exceeding one year in length, the number of completed months) that have elapsed during the Performance Period prior to and including the date of the Change in Control, and the denominator of which is the total number of days (or, in the case of Performance Periods exceeding one year in length, the total number of months) in the Performance Period.

(i) Forfeiture/Clawback. The Committee may, in its sole discretion, specify that the Participant’s rights, payments, and benefits with respect to any payment of incentive compensation made hereunder shall be subject to reduction, cancellation, forfeiture or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of such incentive compensation. Such events may include, but shall not be limited to, termination of employment for cause, termination of the Participant’s provision of services to the Company or any of its Subsidiaries, breach of noncompetition, confidentiality, or other restrictive covenants that may apply to the Participant, or restatement of the Company’s financial statements to reflect adverse results from those previously released financial statements.

5. **Payment**

(a) In General. Except as otherwise provided hereunder, payment of any incentive compensation amount determined under Section 4 shall be made to each Participant as soon as practicable after the Committee certifies that one or more of the applicable performance objectives have been attained or, in the case of any incentive compensation payable under the provisions of Section 4(d) or 4(h), after the Committee determines the amount of any such incentive compensation; provided, however, that in any event all payments made hereunder shall be in accordance with or exempt from the requirements of Section 409A.

(b) Form of Payment. All incentive compensation payable under this Plan shall be payable in cash.

6. General Provisions

(a) Effectiveness of the Plan. The Plan (prior to the amendment and restatement thereof) was originally adopted by the Board of Directors of L-3 Communications Holdings, Inc. (“Holdings”) and became effective upon approval by the shareholders of Holdings on April 24, 2012. The Plan (as amended and restated effective February 21, 2017) is being submitted for shareholder approval at the Company’s 2017 shareholders meeting. If the Company’s shareholders approve the Plan at the Company’s 2017 shareholders meeting, it is anticipated that shareholders will again vote to re-approve the Plan no later than the day of the first meeting of shareholders of the Company that occurs in 2022.

(b) Amendment and Termination. The Board or the Committee may at any time amend, suspend, discontinue or terminate the Plan; provided, however, that no such amendment, suspension, discontinuance or termination shall adversely affect the rights of any Participant in respect of any Performance Period that has already commenced, and no such action shall be effective without approval by the shareholders of the Company to the extent necessary to continue to qualify the amounts payable hereunder to Covered Employees as under Section 162(m) of the Code, if such amounts are otherwise intended by the Committee to be so qualified.

(c) No Right to Continued Employment or Awards. Nothing in this Plan shall be construed as conferring upon any Participant any right to continue in the employment of the Company or any of its Subsidiaries. No Participant shall have any claim to be granted any award, and there is no obligation for uniformity of treatment of Participants or beneficiaries. The terms and conditions of awards and the Committee’s determinations and interpretations with respect thereto need not be the same with respect to each Participant (whether or not the Participants are similarly situated).

(d) No Limitation on Corporate Actions. Nothing contained in the Plan shall be construed to prevent the Company or any of its Subsidiaries from taking any corporate action which is deemed by it to be appropriate or in its best interest, whether or not such action would have an adverse effect on any awards made under the Plan. No employee, beneficiary or other person shall have any claim against the Company or any of its Subsidiaries as a result of any such action.

(e) Nonalienation of Benefits. No Participant or beneficiary shall have the power or right to transfer, anticipate, or otherwise encumber the Participant’s interest under the Plan. The Company’s obligations under this Plan are not assignable or transferable except to (i) a corporation which acquires all or substantially all of the Company’s assets or (ii) any corporation into which the Company may be merged or consolidated. The provisions of the Plan shall inure to the benefit of each Participant and the Participant’s beneficiaries, heirs, executors, administrators or successors in interest.

(f) Withholding. A Participant may be required to pay to the Company or any of its Subsidiaries, and the Company or any of its Subsidiaries shall have the right and is hereby authorized to withhold from any payment due under this Plan or from any compensation or other payment otherwise owing to the Participant, applicable withholding taxes with respect to any payment under this Plan, and to take any such actions as may be deemed necessary in the opinion of the Company to satisfy all obligations for the payment of such withholding taxes.

(g) Severability. If any provision of this Plan is held unenforceable, the remainder of the Plan shall continue in full force and effect without regard to such unenforceable provision and shall be applied as though the unenforceable provision were not contained in the Plan.

(h) Governing Law. The Plan shall be governed by and construed in accordance with the laws of the State of New York without regard to conflicts of laws.

(i) Headings. Headings are inserted in this Plan for convenience of reference only and are to be ignored in a construction of the provisions of the Plan.

(k) Compliance with Section 409A. The Plan is intended to comply with or be exempt from Section 409A and will be interpreted in a manner intended to comply with Section 409A. Notwithstanding anything herein to the contrary, if at the time of the Participant's separation from service with any Service Recipient the Participant is a "specified employee" as defined in Section 409A, and the deferral of the commencement of any payments or benefits otherwise payable hereunder as a result of such separation from service is necessary in order to prevent the imposition of any accelerated or additional tax under Section 409A, then the Company will defer the commencement of the payment of any such payments or benefits hereunder (without any reduction in such payments or benefits ultimately paid or provided to the Participant) until the date that is six months and one day following the Participant's separation from service with all Service Recipients (or the earliest date as is permitted under Section 409A), if such payment or benefit is payable upon a separation from service with any Service Recipient. Each payment made under the Plan shall be designated as a "separate payment" within the meaning of Section 409A.

L3 TECHNOLOGIES, INC.
AMENDED AND RESTATED 2012 CASH INCENTIVE PLAN
PERFORMANCE CASH AWARD AGREEMENT
(Version 0003)

This Performance Cash Award Agreement (this "Agreement"), effective as of the Grant Date (as defined below), is between L3 Technologies, Inc., a Delaware corporation (the "Corporation" or "L3"), and the Participant (as defined below).

1. **Definitions.** Capitalized terms not otherwise defined herein shall have the respective meanings ascribed to them in the L3 Technologies, Inc. Amended and Restated 2012 Cash Incentive Plan (the "Plan"). The following terms shall have the following meanings for purposes of this Agreement:

(a) "Applicable Award Multiplier" shall mean, with respect to each Performance Measure, the "Award Multiplier" calculated pursuant to the Award Letter based on the actual level of achievement for the Performance Period; provided, that in the event of a Change in Control, the "Applicable Award Multiplier" shall mean 100%, subject to upward adjustment (but not above 200%) to the extent (if any) that the Committee is able, in its sole discretion, to assess that the Corporation's progress, at or prior to the Change in Control, towards the achievement levels set forth in the Award Letter for such Performance Measure exceeds the "Target" performance level as adjusted to account for the reduced period of actual performance.

(b) "Award Letter" shall mean the award notice to the Participant attached hereto as Exhibit A.

(c) "Cause" shall mean the Participant's (1) intentional failure to perform reasonably assigned duties, (2) dishonesty or willful misconduct in the performance of duties, (3) engaging in a transaction in connection with the performance of duties to the Corporation or its subsidiaries which transaction is adverse to the interests of the Corporation and is engaged in for personal profit or (4) willful violation of any law, rule or regulation in connection with the performance of duties (other than traffic violations or similar offenses).

(d) "Change in Control" shall mean:

(1) the acquisition by any person or group (including a group within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act), other than the Corporation or any of its subsidiaries, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of a majority more of the combined voting power of the Corporation's then outstanding voting securities, other than by any employee benefit plan maintained by the Corporation;

(2) the sale of all or substantially all the assets of the Corporation and its subsidiaries taken as a whole;

(3) the consummation of a merger, combination, consolidation, recapitalization or other reorganization of the Corporation with one or more other entities that are not subsidiaries if, as a result of the consummation of the merger, combination, consolidation, recapitalization or other reorganization, less than 50 percent of the outstanding voting securities of the surviving or resulting corporation shall immediately after the event be beneficially owned in the aggregate by the stockholders of the Corporation immediately prior to the event; or

(4) the election, including the filling of vacancies, during any period of 24 months or less, of 50% or more of the members of the Board of Directors, without the approval of Continuing Directors, as constituted at the beginning of such period. "Continuing Directors" shall mean any director of the Corporation who either (i) is a member of the Board of Directors on the Grant Date, or (ii) is nominated for election to the Board of Directors by a majority of the Board which is comprised of directors who were, at the time of such nomination, Continuing Directors.

(e) "Committee" or "Compensation Committee" shall mean the Compensation Committee of the Board of Directors of the Corporation.

(f) "Disability" shall mean that the Participant, (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Participant's employer.

(g) "Grant Date" shall mean the "Grant Date" listed in the Award Letter.

(h) "Participant" shall mean the "Participant" listed in the Award Letter.

(i) "Performance Measures" shall mean the performance measures set forth in the Award Letter.

(j) "Performance Period" shall mean the "Performance Period" set forth in the Award Letter, subject to adjustment in accordance with Section 4 hereof.

(k) "Retirement" shall mean that the Participant (A) terminates employment with the Corporation and its subsidiaries other than for Cause (and is not subject to termination for Cause at the time of such termination), (B) is available for consultation with the Corporation or its subsidiaries at the reasonable request of the Corporation or its subsidiaries and (C) terminates employment either (1) on or after attaining age 60 and completing at least five years of service in the aggregate with the Corporation and its subsidiaries (which service must be continuous through the date of termination except for a single break in service that does not exceed one year in length), or (2) on or after attaining age 65.

(l) "Segmented Target Award Value" shall mean, with respect to each Performance Measure, the "Target Award Value" set forth in the Award Letter for the Performance Measure, subject to adjustment pursuant to the terms hereof.

(m) "Segmented Earned Award Value" shall mean, with respect to each Performance Measure, the Segmented Target Award Value multiplied by the Applicable Award Multiplier.

(n) "Subsidiary" or "subsidiary" shall mean, as to any person, any corporation, association, partnership, joint venture or other business entity of which 50% or more of the voting stock or other equity interests (in the case of entities other than corporations), is owned or controlled (directly or indirectly) by that entity, or by one or more of the Subsidiaries of that entity, or by a combination thereof.

(o) "Total Earned Award Value" shall mean the sum of the Segmented Earned Award Values for all Performance Measures.

(p) "Total Target Award Value" shall mean the sum of the Segmented Target Award Values for all Performance Measures.

2. Target and Final Awards. Subject to the terms, conditions and restrictions set forth in the Plan and this Agreement, a target incentive compensation opportunity is hereby established for the Participant with respect to each Performance Measure in an amount equal to the Segmented Target Award Value in respect thereof. The final amount that shall be earned (if at all) by the Participant under the Plan and this Agreement with respect to each Performance Measure shall be based on the Segmented Target Award Value and the Applicable Award Multiplier, which shall reflect the actual level of performance achieved by the Corporation with respect to the Performance Measure over the Performance Period.

3. Nonalienation of Benefits. No Participant or beneficiary shall have the power or right to transfer, anticipate, or otherwise encumber the Participant's interest under this Agreement. The provisions of this Agreement shall inure to the benefit of the Participant and the Participant's beneficiaries, heirs, executors, administrators or successors in interest.

4. Change in Control During Performance Period. In the event of a Change in Control, (a) the Segmented Target Award Value for each Performance Measure shall automatically be adjusted on a pro-rata basis to reflect the number of completed months out of the entire Performance Period as of the date of the Change in Control and (b) the Performance Period shall automatically be deemed to have terminated and the provisions of Section 8 hereof shall become applicable.

5. Termination of Employment or Disability During Performance Period.

(a) If the Participant suffers a Disability or the Participant's employment with the Corporation and its subsidiaries is terminated during the Performance Period: (1) by reason of death or Disability, (2) by Retirement at least one year after the first day of the Performance Period, or (3) by the Corporation without Cause (each, a "Qualified Separation"), the Segmented Target Award Value for each Performance Measure shall automatically be adjusted on a pro-rata basis to reflect the number of completed months out of the entire Performance Period as of the date the Participant suffered a Disability or the date of the termination of employment, as applicable. Thereafter, the Participant (or his/her beneficiaries, heirs, executors, administrators or successors in interest as the case may be) shall be entitled to any amounts payable under Section 8 following the termination of the Performance Period in accordance with the terms hereof.

(b) In the event that the Participant's employment with the Corporation and its subsidiaries is terminated during the Performance Period by reason other than Qualified Separation, then the Participant shall forfeit all of his or her rights hereunder.

(c) The Participant's rights to the Performance Units shall not be affected by any change in the nature of the Participant's employment so long as the Participant continues to be an employee of the Corporation or any of its subsidiaries. Whether (and the circumstances under which) employment has been terminated and the determination of the termination date for the purposes of this Agreement (or whether, and the date upon which, the Participant has suffered a Disability) shall be determined by the Committee or (with respect to any employee other than a person who is an "executive officer" of the Corporation as defined in Rule 3b-7 under the Securities Exchange Act of 1934, as amended) its designee (who, at the date of this Agreement, shall be the Corporation's Vice President of Human Resources), whose good faith determination shall be final, binding and conclusive; provided, that such designee may not make any such determination with respect to his or her own employment

6. No Right to Continued Employment. Nothing in this Agreement shall be interpreted or construed to confer upon the Participant any right to continue employment by the Corporation or any of its subsidiaries, nor shall this Agreement interfere in any way with the right of the Corporation or any of its subsidiaries to terminate the Participant's employment at any time for any reason whatsoever, whether or not with cause.

7. Adjustments for Certain Changes. In the event of an equity restructuring, as defined in *Financial Accounting Standards Board Accounting Standards Codification 718-10* (formerly *Statement of Financial Accounting Standards 123R*), that affects the Shares, the Committee shall adjust any Share-based Performance Measures affected by such restructuring so as to preserve (without enlarging) such Participant's incentive compensation opportunity in respect thereof, with the manner of such adjustment to be determined by the Committee in its sole discretion and in a manner consistent with Section 162(m) of the Code, to the extent applicable.

8. Determination and Payment of Final Awards.

(a) As promptly as practicable following the termination of the Performance Period, the Committee shall determine the Applicable Award Multiplier for each of the Performance Measures (the date of such determination being referred to herein as the "Determination Date").

(b) Promptly following the Determination Date, the Corporation shall pay the Participant an amount in cash (if any), without interest thereon and subject to applicable withholding taxes, equal to the Total Earned Award Value.

(c) All payments of cash under this Section 8 shall be made no earlier than January 1, and no later than March 15, of the year after the year in which the Performance Period terminates; provided, that notwithstanding the foregoing, in the event the Performance Period terminates as a result of a Change in Control, such payments of cash shall be made no later than the 30th calendar day following such Change in Control.

(d) Notwithstanding the provisions of this Section, in the event of the death of the Participant prior to the making of any payment under this Section 8, such payment or issuance shall be made to the Participant's beneficiaries, heirs, executors, administrators or successors in interest as the case may be.

9. Plan Governs. The Participant hereby acknowledges receipt of a copy of the Plan and agrees to be bound by its terms, all of which are incorporated herein by reference. The Plan shall govern in the event of any conflict between this Agreement and the Plan.

10. Modification of Agreement. This Agreement may not be modified, amended, suspended or terminated, and any terms or conditions may not be waived, without the approval of the Committee. The Committee reserves the right to amend or modify this Agreement at any time without prior notice to any Participant or other interested party; provided, that except as expressly provided hereunder, any such amendment or modification may not adversely affect in any material respect the Participant's rights or benefits hereunder except for such amendments or modifications as are required by law.

11. Severability. Should any provision of this Agreement be held by a court of competent jurisdiction to be unenforceable or invalid for any reason, the remaining provisions of this Agreement shall not be affected by such holding and shall continue in full force in accordance with their terms.

12. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of New York without giving effect to the conflicts of laws principles thereof.

13. Successors in Interest; No Third Party Beneficiaries. This Agreement shall inure to the benefit of and be binding upon any successor to the Corporation. This Agreement shall inure to the benefit of the Participant or the Participant's legal representatives. All obligations imposed upon the Participant and all rights granted to the Corporation under this Agreement shall be final, binding and conclusive upon the Participant's heirs, executors, administrators and successors. Except as expressly provided herein, nothing in this Agreement shall confer any rights upon any person other than the parties hereto and their respective heirs, legal representatives, successors and permitted assigns.

14. Administration. The Committee shall have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee shall be final and binding upon the Participant, the Corporation and all other interested persons. No member of the Committee shall be personally liable for any action determination or interpretation made in good faith with respect to the Plan or the awards or award opportunities contemplated hereunder. In its absolute discretion, the Board of Directors may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan and this Agreement. The Committee shall have the power to delegate any and all of its rights and duties hereunder to any officer of the Corporation to the extent permitted under applicable law.

15. Resolution of Disputes. Any dispute or disagreement which may arise under, or as a result of, or in any way related to, the interpretation, construction or application of this Agreement shall be determined by the Committee. Any determination made hereunder shall be final, binding and conclusive on the Participant and Corporation for all purposes.

16. Data Privacy Consent. As a condition to the awards and award opportunities contemplated hereunder, the Participant hereby consents to the collection, use and transfer of personal data as described in this paragraph. The Participant understands that the Corporation and its subsidiaries hold certain personal information about the Participant, including name, home address and telephone number, date of birth, social security number, salary, nationality, job title, ownership interests or directorships held in the Corporation or its subsidiaries, and details of all performance awards and entitlements to shares of common stock awarded, cancelled, exercised, vested or unvested ("Data"). The Participant further understands that the Corporation and its subsidiaries will transfer Data among themselves as necessary for the purposes of implementation, administration and management of the Participant's participation in the Plan, and that the Corporation and any of its subsidiaries may each further transfer Data to any third parties assisting the Corporation in the implementation, administration and management of the Plan. The Participant understands that these recipients may be located in the European Economic Area or elsewhere, such as the United States. The Participant hereby authorizes them to receive, possess, use, retain and transfer such Data as may be required for the administration of the Plan, in electronic or other form, for the purposes of implementing, administering and managing the Participant's participation in the Plan. The Participant may, at any time, view such Data or require any necessary amendments to it.

17. *Limitation on Rights; No Right to Future Awards; Extraordinary Item of Compensation.* By accepting this Agreement and the awards or award contemplated hereunder, the Participant expressly acknowledges that (a) the awards and award opportunities contemplated hereunder are one-time benefits that do not create any contractual or other right to receive future awards or award opportunities under the Plan, or any benefits in lieu of thereof; (b) all determinations with respect to future awards and award opportunities under the Plan, if any, will be at the sole discretion of the Committee and/or the Corporation; (c) the Participant's acknowledgment and acceptance of this Agreement is voluntary; (d) the awards and award opportunities contemplated hereunder are extraordinary items of compensation that are outside the scope of the Participant's employment contract, if any, and nothing can or must automatically be inferred from such employment contract or its consequences; (e) the awards and award opportunities contemplated hereunder are not part of normal or expected compensation for any purpose and are not to be used for calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments, and the Participant waives any claim on such basis; (f) the future value of the award opportunities hereunder are unknown, cannot be predicted with certainty and may be zero; and (g) the Plan is discretionary in nature and may be suspended or terminated by the Corporation at any time. In addition, the Participant understands, acknowledges and agrees that except as expressly provided hereunder, the Participant will have no rights to compensation or damages related to the awards and award opportunities contemplated hereunder in consequence of the termination of the Participant's employment for any reason whatsoever and whether or not in breach of contract.

18. Acceptance. This Agreement shall not be enforceable until it has been executed by the Participant.

By: L3 TECHNOLOGIES, INC.



Michael T. Strianese
Chairman and Chief Executive Officer



Ann D. Davidson
Senior Vice President, General Counsel and
Corporate Secretary

Acknowledged and Agreed
as of the date first written above:

Participant ES

Participant Signature
Name: **Participant Name**

Performance Cash Award Notice

| | |
|---|-----------------------------|
| A. Participant: | Participant Name |
| B. Grant Date: | Grant Date |
| C. Performance Period: | 1/1/2017 through 12/31/2019 |
| D. Aggregate Target Award Value: | \$ # Shares |
| E. Performance Measure(s): | |

1. **Relative Total Stockholder Return:** This measure will be assessed based on the percentile positioning of L3's TSR as compared to the TSRs of the Peer Companies, calculated using the formula:

$$\text{Relative TSR Percentile} = 1 - (\text{Rank} - 1) / (\text{Total} - 1)$$

where "Rank" is the relative ranking of L3's TSR among the TSRs of the Peer Companies (with a Rank of one being the highest ranked TSR), and "Total" is the sum of (a) one and (b) the total number of Peer Companies on the last day of the Performance Period.

"TSR" means, with respect to any company, the value calculated by dividing (i) the average of L3's per share closing prices during the one-month period ending on the last day of the Performance Period, by (ii) the average of L3's per share closing prices during the one-month period ending on the date immediately prior to the first day of the Performance Period, and then subtracting one (1); provided, that all closing prices shall be adjusted to reflect (a) the cumulative effect of the reinvestment of dividends as of their respective ex-dividend dates, beginning with the first ex-dividend date that is on or after the first day of the one-month period referred to in clause (ii) above; and (b) any equity restructuring, as defined in Statement of Financial Accounting Standards 123R, which affects the company's shares and which is not otherwise accounted for under clause (a) above; provided, further, that TSR shall mean negative 100% with respect to any company that, during the Performance Period, (w) files for bankruptcy, reorganization, or liquidation under any chapter of the U.S. Bankruptcy Code (or under any similar non-U.S. law, as applicable); (x) is the subject of an involuntary bankruptcy proceeding that is not dismissed within 30 days; (y) is the subject of a stockholder approved plan of liquidation or dissolution; or (z) ceases to conduct substantial business operations.

“Peer Companies” means the companies listed on Appendix 1 hereto; provided, that in the event of a merger, acquisition or business combination transaction to which a Peer Company is a party, if the stockholders of the Peer Company immediately prior to the event shall, collectively as a group, have beneficial ownership of less than 50 percent of the outstanding voting securities of the surviving or resulting entity immediately after the event, then such Peer Company shall not be considered a Peer Company for any purpose (including during any time period prior to such transaction).

Portion of Aggregate Target Award Value for this Performance Measure: 100%

Performance Scale:

| <u>Performance Levels</u> | <u>Relative TSR</u> | <u>Award Multiplier</u> |
|---------------------------|---------------------|-------------------------|
| Maximum | ≥ 75th percentile | 200% |
| Target | 50th percentile | 100% |
| Threshold | 25th percentile | 25% |
| Below Threshold | < 25th percentile | 0% |

In the event that the level of actual performance exceeds the Threshold and falls between two of the stated performance levels listed above, the Award Multiplier will be calculated on a straight-line basis between the two stated Award Multipliers for those performance levels.

The companies included for the Relative Total Stockholder Return assessment are those listed below.

| | Company | Ticker |
|-----|-----------------------------------|--------|
| 1. | BAE SYSTEMS PLC (ADR) | BAESY |
| 2. | CUBIC CORP | CUB |
| 3. | ESTERLINE TECHNOLOGIES CORP | ESL |
| 4. | FLIR SYSTEMS INC | FLIR |
| 5. | GENERAL DYNAMICS CORP | GD |
| 6. | HARRIS CORP | HRS |
| 7. | HUNTINGTON INGALLS INDUSTRIES INC | HII |
| 8. | LOCKHEED MARTIN CORP | LMT |
| 9. | NORTHROP GRUMMAN CORP | NOC |
| 10. | ORBITAL ATK | OA |
| 11. | RAYTHEON CO | RTN |
| 12. | ROCKWELL COLLINS INC | COL |
| 13. | TELEDYNE TECHNOLOGIES INC | TDY |
| 14. | TEXTRON INC | TXT |

L3 TECHNOLOGIES, INC.
AMENDED AND RESTATED
CHANGE IN CONTROL SEVERANCE PLAN

THIS L3 TECHNOLOGIES, INC. AMENDED AND RESTATED CHANGE IN CONTROL SEVERANCE PLAN, originally adopted on August 15, 2006 (the “Effective Date”) by L-3 Communications Holdings, Inc. (which subsequently merged with and into the Company (as defined below) (formerly known as L-3 Communications Corporation)), as amended and restated through March 14, 2017, has been established to provide for the payment of severance benefits to Employees (as defined below).

Section 1. Definitions. Unless the context clearly indicates otherwise, when used in this Plan:

(a) “Actual Bonus” means any Bonus actually paid or payable to an Eligible Employee (excluding any reduction in amount resulting from an adverse change to the assumptions (including the Employee’s Target Bonus) or calculation methodology for determining the amount of such Bonus made on or after a Change in Control).

(b) “Affiliate” means, with respect to any entity, any other corporation, organization, association, partnership, sole proprietorship or other type of entity, whether incorporated or unincorporated, directly or indirectly controlling or controlled by or under direct or indirect common control with such entity.

(c) “Annual Compensation” means the sum of (x) the greater of the Eligible Employee’s Base Salary in effect (A) immediately prior to the date of the Change in Control or (B) immediately prior to the date of termination of the Eligible Employee (or, if the termination is for Good Reason, immediately prior to the event set forth in the notice of termination given in accordance with Section 15 of this Plan), and (y) the Eligible Employee’s Average Bonus.

(d) “Anticipatory Termination” means a termination of an Employee made in connection with or in anticipation of a Change in Control at the request of, or upon the initiative of, the acquiror in the Change in Control transaction or otherwise in connection with or anticipation of the Change in Control.

(e) “Average Bonus” means the average of all Bonuses paid or payable to an Eligible Employee in respect of the three Fiscal Years occurring prior to the Fiscal Year in which the employment of the Eligible Employee is terminated (or, if the Eligible Employee was not an Employee during each of such Fiscal Years, such lesser number of Fiscal Years during which the Eligible Employee was an Employee); provided, that for purposes of this calculation, any Bonus awarded to the Eligible Employee for a Fiscal Year in which the Employee was employed for less than the full Fiscal Year shall be annualized; provided, further, that if the Bonus for the last of the three Fiscal Years utilized in this calculation (i) (x) has not been paid because the Employee was terminated prior to the scheduled date for payment of such Bonus and (y) is not determinable by way of a formula or calculation applied on a basis consistent with past practice or (ii) has been paid based on an adverse change to the assumptions (including the Employee’s Target Bonus) or calculation methodology for determining the amount of such Bonus made on or after a Change in Control, then the Bonus for such year shall be disregarded and the calculation shall be made on the basis of the average of the other Fiscal Years; provided, further, that if the Employee was not an Employee prior to the last of the three Fiscal Years utilized in this calculation and the Bonus for such last Fiscal Year is disregarded by operation of the immediately preceding proviso, then the term “Average Bonus” shall mean the Eligible Employee’s Target Bonus.

(f) “Base Salary” means an Employee’s annual rate of base salary in effect on the date in question, determined on a “gross wages” basis (i.e. prior to reduction for any employee-elected salary reduction contributions made to an Employer-sponsored non-qualified deferred compensation plan or an Employer-sponsored plan pursuant to Section 401(k) or 125 of the Code), and excluding bonuses, overtime, allowances, commissions, deferred compensation payments and any other extraordinary remuneration.

(g) “Board” means the board of directors of the Company.

(h) “Bonus Fraction” means, with respect to any Eligible Employee, a fraction, the numerator of which shall equal the number of days the Eligible Employee was employed by the Eligible Employee’s Employer in the Fiscal Year in which the Eligible Employer’s termination occurs and the denominator of which shall equal 365.

(i) “Bonus” means the amount payable to an Employee under the Employer’s applicable annual cash incentive bonus plan with respect to a Fiscal Year.

(j) “Cause” means an Employee’s:

- (1) intentional failure to perform reasonably assigned duties;
- (2) dishonesty or willful misconduct in the performance of duties;
- (3) engaging in a transaction in connection with the performance of duties to the Company or its Affiliates which transaction is adverse to the interests of the Company and is engaged in for personal profit or;
- (4) willful violation of any law, rule or regulation in connection with the performance of duties (other than traffic violations or similar offenses).

For purposes of this definition, an act, or failure to act, on Employee’s part shall be deemed “willful” if done, or omitted to be done, by Employee in bad faith and without reasonable belief that Employee’s action or omission was in the best interest of the Company.

(k) “Change in Control” means:

(1) the acquisition by any person or group (including a group within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act), other than the Company or any of its subsidiaries, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of a majority of the combined voting power of the Company’s then outstanding voting securities, other than by any employee benefit plan maintained by the Company;

(2) the sale of all or substantially all the assets of the Company and its subsidiaries taken as a whole; or

(3) the election, including the filling of vacancies, during any period of 24 months or less, of 50% or more of the members of the Board, without the approval of Continuing Directors, as constituted at the beginning of such period.

For purposes of this definition, “Continuing Directors” shall mean, with respect to any date, any director of the Company who either (i) is a member of the Board on such date, or (ii) is subsequently nominated for election to the Board by a majority of the Board which is comprised of directors who were, at the time of such nomination, Continuing Directors.

(l) “COBRA” means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

(m) “Code” means the Internal Revenue Code of 1986, as amended.

(n) “Committee” means the committee designated pursuant to Section 6 to administer this Plan.

(o) “Company” means L3 Technologies, Inc., a Delaware corporation and, after a Change in Control, any successor or successors thereto.

(p) “Director” means (a) any Director of the Company and (b) any other Employee who participates in the Executive Benefits Plan of the Company at the benefit level provided to Directors of the Company generally. For the avoidance of doubt, the phrase “Director of the Company” as used in clause (a) of this definition refers to an Employee serving with a title of Director, and not to a member of the Board.

(q) “Disability” means an Employee, as a result of incapacity due to physical or mental illness, becomes eligible for benefits under the long-term disability plan or policy of the Company or a subsidiary in which the Employee is eligible to participate.

(r) “Elected Officer” means a person who is elected or appointed as an officer of the Company pursuant to any resolution adopted by Board on or after the date of the most recent annual election of officers and prior to the date of the Change in Control (which election or appointment is not revoked prior to such date).

(s) “Eligible Employee” means an Employee whose employment with Employee’s Employer (i) is terminated by the Employer for any reason other than Cause, Disability or death (A) as an Anticipatory Termination, but only (x) if an anticipated Change in Control actually occurs during the period in which this Plan is effective and (y) to the extent such Change in Control also constitutes a change in ownership or effective control, or in the ownership of a substantial portion of the assets, within the meaning of Section 409A(a)(2)(A)(v) of the Code or (B) during the two-year period beginning on the effective date of a Change in Control, or (ii) terminates during the two-year period beginning on the effective date of a Change in Control on account of such Employee’s resignation for Good Reason within six months from the date the Employee first becomes actually aware of the existence of Good Reason.

(t) “Employee” means (1) any Elected Officer of the Company and (2) any other employee of the Company or any of its wholly-owned subsidiaries, whose payroll expenses are primarily allocated and recorded as a corporate expense of L3 Technologies, Inc. or any successor entity (and not as an expense of a group, division or subsidiary thereof) for financial reporting purposes, as applied immediately prior to the date of a Change in Control.

(u) “Employer” means, with respect to any Employee, the legal entity that employed such Employee prior to any termination of employment contemplated hereunder.

(v) “Exchange Act” means the Securities Exchange Act of 1934, as amended.

(w) “Executive” means a person qualifying as any of following immediately prior to the date of a Change in Control: (i) the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer and the General Counsel of the Company, (ii) any Executive Vice President, Senior Vice President or Group President of the Company and (iii) any Vice President or Director of the Company (as such positions are defined in this Section 1). For the avoidance of doubt, the term “Executive” shall not include any Employee who holds a title of Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, General Counsel, Executive Vice President, Senior Vice President, Vice President or Director solely with respect to a Company group, division or subsidiary and not with respect to the Company generally.

(x) “Fiscal Year” means any given fiscal year of the Company.

(y) “Good Reason” means any of the following actions on or after a Change in Control, without Employee’s express prior written approval, other than due to Employee’s Disability or death:

(1) (A) any reduction in Base Salary or annual or long-term incentive opportunity (including Target Bonus, if applicable) or (B) any adverse change to the calculation methodology for determining Bonuses or long-term incentives which is reasonably likely to have an adverse impact on the amounts the Eligible Employee has the potential to earn under such programs (which for the avoidance of doubt shall not be deemed to have occurred if an acquiror fails to continue or provide any equity-based incentive plan);

(2) any failure by acquiror to continue to provide employee benefits that are substantially similar in the aggregate to those afforded to the Employee immediately prior to the Change in Control; for this purpose employee benefits shall mean pension and retirement, fringe and welfare benefits;

(3) any material adverse change in Employee's duties or responsibilities;

(4) any relocation of Employee's principal place of business of 50 miles or more, provided that such relocation also increases Employee's commute by at least 25 miles; or

(5) any failure to pay Employee's Base Salary and other amounts earned by Employee within ten (10) days after the date such compensation is due;

(6) the failure of any successor or assignee (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business and/or assets of the Company in connection with any Change in Control, by agreement in writing in form and substance reasonably satisfactory to Employee, expressly, absolutely and unconditionally to assume and agree to perform all obligations under this Plan.

(z) "Plan" means the L3 TECHNOLOGIES, INC. AMENDED AND RESTATED CHANGE IN CONTROL SEVERANCE PLAN, as in effect from time to time.

(aa) "Plan Year" means the calendar year.

(bb) "Release" means a release to be signed by an Eligible Employee in such form as the Company shall reasonably determine, which shall, to the extent permitted by law, waive all claims and actions against the Employers and such other related parties and entities as the Company reasonably chooses to include in the release except for claims and actions for benefits provided under (or contemplated by) the terms of this Plan (which Release is not revoked by the Eligible Employee).

(cc) "Severance Multiple" means, with respect to any Eligible Employee, the highest of the following multiples applicable to such person:

(1) the multiple of three (3), for (i) the Chief Executive Officer of the Company or (ii) the Chief Operating Officer, the Chief Financial Officer, the General Counsel or any Executive Vice President of the Company, provided, that this clause (ii) shall apply only if the Eligible Employee held one or more of such positions prior to March 14, 2017;

(2) the multiple of two and one-half (2.5), for (i) each Senior Vice President, Group President or Segment President of the Company or (ii) the Chief Operating Officer, the Chief Financial Officer, the General Counsel or any Executive Vice President of the Company, provided, that this clause (ii) shall apply only if the Eligible Employee did not hold any of such positions prior to March 14, 2017;

(3) the multiple of two (2), for each Vice President of the Company who is also an Elected Officer;

(4) the multiple of one and one-half (1.5), for each Vice President of the Company who is not also an Elected Officer; and

(5) the multiple of one (1), for each Director of the Company.

(dd) “Target Bonus” means the greater of (1) an Employee’s target Bonus in effect immediately prior to the date of the Change in Control or (2) an Employee’s target Bonus in effect immediately prior to the date on which the Eligible Employee is terminated (or, if the termination is for Good Reason, immediately prior to the event set forth in the notice of termination given in accordance with Section 15).

(ee) “Vice President” means (a) any Vice President of the Company and (b) any other Employee who participates in the Executive Benefits Plan of the Company at the benefit level provided to Vice Presidents of the Company generally.

Section 2. Severance Benefits. Each Eligible Employee who executes a Release in the manner prescribed by the Company within 45 days following such Eligible Employee’s date of termination and additionally, for each Eligible Employee who is also an Elected Officer, who agrees at such time to be subject to the restrictive covenants set forth on Exhibit A shall be entitled to the following:

(a) Severance Pay.

(1) Each such Eligible Employee who is an Executive shall be entitled to receive severance pay from his or her Employer in a lump sum amount equal to the sum of:

(i) the Eligible Employee’s Severance Multiple, multiplied by the Eligible Employee’s Annual Compensation; and

(ii) the Average Bonus (or, if determinable on the date of termination (i.e., by way of a formula or calculation applied on a basis consistent with past practice), the Actual Bonus for the year of termination), multiplied by the Bonus Fraction.

(2) Each such Eligible Employee who is not an Executive shall be entitled to receive severance pay from his or her Employer in a lump sum amount equal to the sum of:

(i) the Average Bonus (or, if determinable on the date of termination (i.e., by way of a formula or calculation applied on a basis consistent with past practice), the Actual Bonus for the year of termination), multiplied by the Bonus Fraction; plus

(ii) four (4) weeks of the Eligible Employee's Annual Compensation; plus

(iii) two (2) or three (3) weeks (as determined by the Chief Executive Officer of the Company on or prior to the date of the Change in Control) of the Eligible Employee's Annual Compensation for each completed year of service by the Eligible Employee with the Company, its Affiliates and any of their respective predecessor entities; provided, however, that the sum of the amounts determined under clauses (ii) and (iii) above shall be limited to the amount of the Eligible Employee's Annual Compensation (i.e., 52 weeks of the Eligible Employee's Annual Compensation).

(b) Medical, Dental and Life Insurance Benefit Continuation.

(1) For each Eligible Employee who is an Executive, for a period of years (or fractions thereof) equal to the Severance Multiple following the Eligible Employee's termination of employment (the "Executive Welfare Continuation Period"), the Eligible Employee and such Eligible Employee's spouse and dependents (each as defined under the applicable program) shall receive the following benefits: (x) medical and dental insurance coverages at the same benefit levels as provided to the Eligible Employee immediately prior to the Change in Control, for which the Company will (A) reimburse the Eligible Employee during the first 18 months of the Executive Welfare Continuation Period or, if shorter, the period of actual COBRA continuation coverage received by the Eligible Employee during the Executive Welfare Continuation Period, for the total amount of the monthly COBRA medical and dental insurance premiums payable by the Eligible Employee for such continued benefits in excess of the cost the Eligible Employee paid for such coverage (on a monthly premium basis) immediately prior to such termination of employment and (B) provide such coverage for any remaining portion of the Executive Welfare Continuation Period at the same cost to the Eligible Employee as is generally provided to similarly situated active employees of the Company (or, if it is not possible, or is cost-prohibitive for the Company to provide such coverage for such remaining portion, the Company will pay the Eligible Employee a cash lump sum payment equal to the premiums the Company would have paid if the Eligible Employee had remained an active employer), provided, however, that if, during the Executive Welfare Continuation Period, the Eligible Employee becomes employed by a new employer, continuing medical and dental coverage from the Company will become secondary to any coverage afforded by the new employer in which the Eligible Employee becomes enrolled); and (y) life insurance coverage at the same benefit level as provided to the Eligible Employee immediately prior to the Change in Control and at the same cost to the Eligible Employee as is generally provided to similarly situated active employees of the Company (or if such coverage is no longer provided by the Company, then at the Employee's cost immediately prior to the Change in Control).

(2) For each Eligible Employee who is not an Executive, for a period not to exceed the number of weeks of Annual Compensation payable to the Eligible Employee pursuant to Section 2(a)(2) above, (the “Employee Welfare Continuation Period”), the Eligible Employee and such Eligible Employee’s spouse and dependents (each as defined under the applicable program) shall receive the following benefits: (x) medical and dental insurance coverages at the same benefit levels as provided to the Eligible Employee immediately prior to the Change in Control, for which the Company will reimburse the Eligible Employee during the first 52 weeks of the Employee Welfare Continuation Period or, if shorter, the period of actual COBRA continuation coverage received by the Eligible Employee during the Employee Welfare Continuation Period, for the total amount of the monthly COBRA medical and dental insurance premiums payable by the Eligible Employee for such continued benefits in excess of the cost the Eligible Employee paid for such coverage (on a monthly premium basis) immediately prior to such termination of employment, provided, however, that if, during the Employee Welfare Continuation Period, the Eligible Employee becomes employed by a new employer, continuing medical and dental coverage from the Company will become secondary to any coverage afforded by the new employer in which the Eligible Employee becomes enrolled); and (y) life insurance coverage at the same benefit level as provided to the Eligible Employee immediately prior to the Change in Control and at the same cost to the Eligible Employee as is generally provided to similarly situated active employees of the Company (or if such coverage is no longer provided by the Company, then at the Employee’s cost immediately prior to the Change in Control).

(c) Outplacement. Such Eligible Employee shall receive reasonable outplacement services to be provided by a provider selected by such Eligible Employee, the cost of which shall be borne by the Company.

(d) Accrued Benefits. Such Eligible Employee shall be entitled to receive any unpaid Base Salary through the date of such Eligible Employee’s termination, any Bonus earned but unpaid as of the date of such Eligible Employee’s termination for any previously completed Fiscal Year (which, if not determinable by way of a formula or calculation applied on a basis consistent with past practice, shall be an amount equal to the Eligible Employee’s Average Bonus), and all compensation previously deferred by such Eligible Employee but not yet paid as well as all accrued interest thereon. In addition, such Eligible Employee shall be entitled to prompt reimbursement of any unreimbursed expenses properly incurred by such Eligible Employee in accordance with Company policies prior to the date of such Eligible Employee’s termination. Such Eligible Employee shall also be able to receive and enjoy such other benefits, if any, to which such Eligible Employee may be entitled pursuant to the terms and conditions of (1) the employee compensation, incentive, equity, benefit or fringe benefit plans, policies or programs of the Company, other than any Company severance policy and as provided in Section 12(a) of this Plan, and (2) the indemnification and D&O insurance plans, policies or programs of the Company.

Section 3. Form and Time of Payment. The cash severance pay benefits payable to an Eligible Employee under Section 2 above shall be paid to such Eligible Employee in a single lump sum less applicable withholdings under Section 4 of this Plan within 75 days after the Eligible Employee's date of termination, except with respect to any additional bonus amount payable after such time period to the extent required pursuant to Section 2(d) above and except as provided pursuant to Section 5 of this Plan; provided, however, that the Company shall not be required to pay or continue to pay the cash severance pay benefits in the event such Eligible Employee does not sign a Release or such Eligible Employee revokes the Release during the time to revoke, if any.

Section 4. Tax Withholding and Section 409A. Each Employer shall withhold from any amount payable to an Eligible Employee pursuant to this Plan, and shall remit to the appropriate governmental authority, any income, employment or other tax the Employer is required by applicable law to so withhold from and remit on behalf of such Eligible Employee. Notwithstanding any other provision of this Plan or certain compensation and benefit plans of the Employer, any payments or benefits due under this Plan or such Employer compensation and benefit plans upon or in connection with a termination of an Eligible Employee's employment shall be paid, and this Plan shall be interpreted, in a manner that shall ensure that any such payments or benefits shall not be subject to any tax or interest under Section 409A of the Code (including, for the avoidance of doubt, by requiring that the payment of any severance due under Section 2 of this Plan to an Employee who is a "specified employee" within the meaning of the Section 409A of the Code be deferred until the date that is six months following such termination of the Employee's employment, to the extent such delay is required to comply with Section 409A of the Code). Each payment made under this Plan shall be designated as a "separate payment" within the meaning of Section 409A of the Code. To the extent any reimbursements or in-kind benefits due to an Employee under this Plan constitute "deferred compensation" under Section 409A of the Code, any such reimbursements or in-kind benefits shall be paid to such Employee in a manner consistent with Treas. Reg. Section 1.409A-3(i)(1)(iv). Notwithstanding the foregoing, neither the Company nor any of its employees or representatives shall have any liability to any Eligible Employee to the extent that any payment or benefit hereunder is determined to be subject to any tax or interest under Section 409A of the Code.

Section 5. Limitation of Certain Payments.

(a) In the event the Company determines, based upon the advice of the independent public accountants for the Company, that part or all of the consideration, compensation or benefits to be paid to an Employee under this Plan constitute "parachute payments" under Section 280G(b)(2) of the Code, as amended, then, if the aggregate present value of such parachute payments, singularly or together with the aggregate present value of any consideration, compensation or benefits to be paid to Employee under any other plan, arrangement or agreement which constitute "parachute payments" (collectively, the "Parachute Amount") exceeds 2.99 times the Employee's "base amount," as defined in Section 280G(b)(3) of the Code (the "Employee Base Amount"), the amounts constituting "parachute payments" which would otherwise be payable to or for the benefit of Employee shall be reduced to the extent necessary so that the Parachute Amount is equal to 2.99 times the Employee Base Amount (the "Reduced Amount"); provided that such amounts shall not be so reduced if the Company determines, based upon the advice of an independent nationally recognized public accounting firm (which may, but need not be the independent public accountants of the Company), that without such reduction Employee would be entitled to receive and retain, on a net after-tax basis (including, without limitation, any excise taxes payable under Section 4999 of the Code), an amount which is greater than the amount, on a net after tax basis, that the Employee would be entitled to retain upon his receipt of the Reduced Amount.

(b) If the determination made pursuant to clause (a) of this Section 5 results in a reduction of the payments that would otherwise be paid to Employee except for the application of clause (a) of this Section 5, the cash severance pay benefits payable under Section 2(a) shall be reduced. Within ten days following Employer's notice to the Employee of its determination of the reduction in payments, the Company shall pay to or distribute to or for the benefit of Employee such amounts as are then due to Employee under this Plan and shall promptly pay to or distribute to or for the benefit of Employee in the future such amounts as become due to Employee pursuant to this Plan.

(c) As a result of potential uncertainty in the application of Section 280G of the Code at the time of a determination hereunder, it is possible that payments will be made by the Employer which should not have been made under clause (a) of this Section 5 ("Overpayment") or that additional payments which are not made by the Employer pursuant to clause (a) of this Section 5 should have been made ("Underpayment"). In the event that there is a final determination by the Internal Revenue Service, or a final determination by a court of competent jurisdiction, that an Overpayment has been made, any such Overpayment shall be repaid by Employee to the Employer together with interest at the applicable Federal rate provided for in Section 7872(f)(2) of the Code. In the event that there is a final determination by the Internal Revenue Service, a final determination by a court of competent jurisdiction or a change in the provisions of the Code or regulations pursuant to which an Underpayment arises under this Plan, any such Underpayment shall be promptly paid by the Employer to or for the benefit of Employee, together with interest at the applicable Federal rate provided for in Section 7872(f)(2) of the Code.

Section 6. Plan Administration. This Plan shall be administered by the Compensation Committee of the Board or, following a Change in Control, such other successor body as is designated by the acquiror in the Change in Control transaction (the "Committee"). Subject to the provisions of Section 7 of this Plan, the Committee shall have discretionary and final authority to interpret and implement the provisions of this Plan and to determine eligibility for benefits under the Plan. The Committee shall perform all of the duties and exercise all of the powers and discretion that the Committee deems necessary or appropriate for the proper administration of this Plan. The Committee may adopt such rules and regulations for the administration of this Plan as are consistent with the terms hereof, and shall keep adequate records of its proceedings and acts. The Committee may employ such agents, accountants and legal counsel (who may be agents, accountants and legal counsel for an Employer) as may be appropriate for the administration of the Plan. All reasonable administration expenses incurred by the Committee in connection with the administration of the Plan shall be paid by the Employer.

Section 7. Dispute Resolution. Any dispute hereunder or with regard to any document or agreement referred to herein shall be resolved by arbitration before the American Arbitration Association in New York City, New York. The determination of the arbitrator shall be final and binding on the parties hereto and may be entered in any court of competent jurisdiction.

Section 8. Applicable Law. This Plan shall be governed and construed in accordance with applicable federal law; provided, however, that wherever such law does not otherwise preempt state law, the laws of the State of New York shall govern.

Section 9. Legal Fees. All reasonable legal fees and expenses incurred by an Eligible Employee in connection with any non-frivolous claim made pursuant to this Plan shall be borne by the Company.

Section 10. Plan Amendment and Termination. Prior to the occurrence of a Change in Control, each of the Board and the Committee shall have the right and power at any time, and from time to time, subject to ninety (90) days advance written notice to all Employees, to amend or terminate this Plan, in whole or in part; provided, that no such amendment or termination shall be effective if made in connection with or in anticipation of a Change in Control at the request of, or upon the initiative of, the acquiror in the Change in Control transaction or otherwise in connection with or anticipation of the Change in Control. After the occurrence of a Change in Control and during the two-year period beginning on the effective date of the Change in Control, this Plan may not be amended or terminated without the consent of a majority of the Employees who are employed by an Employer at the time of the proposed amendment or termination or who are Eligible Employees receiving severance benefits pursuant to Section 2 of this Plan at such time. Any action to amend or terminate this Plan on or after the date on which a Change in Control occurs, without the foregoing consent, shall not be effective prior to the end of the two-year period beginning on the effective date of the Change in Control.

Section 11. Nature of Plan and Rights. This Plan is an unfunded employee welfare benefit plan and no provision of this Plan shall be deemed or construed to create a trust fund of any kind or to grant a property interest of any kind to any Employee or former Employee. Any payment which becomes due under this Plan to an Eligible Employee shall be made by his or her Employer out of its general assets, and the right of any Eligible Employee to receive a payment hereunder from his or her Employer shall be no greater than the right of any unsecured general creditor of such Employer.

Section 12. Entire Agreement; Offset; No Interference.

(a) This Plan constitutes the entire agreement between the parties and, except as expressly provided herein, supersedes the provisions of all other prior agreements expressly concerning the payment of severance benefits upon a termination of employment in connection with or following a Change in Control; provided, that in no event shall payments or benefits provided pursuant to any other severance agreement or policy entitle Employee to a duplication of payments and benefits pursuant to this Plan and, in the event of an Anticipatory Termination, any amount payable hereunder shall be offset and reduced by the amount of any termination payments or benefits previously provided to Employee under any other severance arrangement with the Company.

(b) Except as expressly provided herein, this Plan shall not interfere in any way with the right of the Company to reduce Employee's compensation or other benefits or terminate Employee's employment, with or without Cause. Any rights that Employee shall have in that regard shall be as set forth in any applicable employment agreement between Employee and the Company.

Section 13. Anticipatory Changes. Notwithstanding any provision in this Agreement to the contrary, no Employee shall suffer any reduction in the level of protections or benefits that would otherwise be enjoyed by the Employee hereunder as a result of any adverse change (including without limitation any such change in Base Salary; Target Bonus; assumptions or calculation methodology used for determining Actual Bonus; insurance coverages; or rank or status as an Elected Officer, Executive or Employee), made in connection with or in anticipation of a Change in Control at the request of, or upon the initiative of, the acquiror in the Change in Control transaction or otherwise in connection with or anticipation of the Change in Control (each, an "Anticipatory Change"). In the event of any such Anticipatory Change, the provisions of this Agreement shall be applied, and any amounts under this Agreement shall be calculated, as if such Anticipatory Change had not occurred.

Section 14. Spendthrift Provision. No right or interest of an Eligible Employee under this Plan may be assigned, transferred or alienated, in whole or in part, either directly or by operation of law, and no such right or interest shall be liable for or subject to any debt, obligation or liability of such Eligible Employee.

Section 15. Notice. Notice of termination for Cause or for Good Reason shall be given in accordance with this Section, and shall indicate the specific termination provision under the Plan relied upon, the relevant facts and circumstances and the effective date of termination. For the purpose of this Plan, any notice and all other communication provided for in this Plan shall be in writing and shall be deemed to have been duly given when received at the respective addresses set forth below, or to such other address as the Company or the Eligible Employee may have furnished to the other in writing in accordance herewith.

If to the Company:

L3 Technologies, Inc.
600 Third Avenue
New York, New York 10016

If to Employee:

To the most recent address of Employee set forth in the personnel records of the Company.

Section 16. Effectiveness. This Plan shall be effective as of the Effective Date and shall remain in effect until terminated pursuant to Section 10 of this Plan.

Exhibit A**CONFIDENTIALITY AND NON-COMPETITION RESTRICTIVE COVENANTS**

I. While employed by the Company, and at any time thereafter, no Eligible Employee shall, without the prior written consent of the Company, use, divulge, disclose or make accessible to any other person, firm, partnership, corporation or other entity any Confidential Information pertaining to the business of the Company or any of its affiliates, except when required to do so by applicable law, by a court, by any governmental agency, or by any administrative body or legislative body (including a committee thereof); provided, however, that the Eligible Employee shall give reasonable notice under the circumstances to the Company that he or she has been notified that he or she will be required to so disclose as soon as possible after receipt of such notice in order to permit the Company to take whatever action it reasonably deems necessary to prevent such disclosure and the Eligible Employee shall cooperate with the Company to the extent that it reasonably requests him or her to do so. For purposes of this paragraph I, "Confidential Information" shall mean non-public information concerning the financial data, strategic business plans, product development (or other proprietary product data), customer lists, marketing plans and other non-public, proprietary and confidential information of the Company, its subsidiaries, its affiliates or customers, that, in any case, is not otherwise available to the public (other than by the Eligible Employee's breach of the terms hereof).

II. In consideration of the Company's obligations under the Plan to which this Exhibit A is attached, each Eligible Employee agrees that for a period of twelve (12) months after termination of employment with his or her Employer, without the prior written consent of the Board, (A) he or she will not, directly or indirectly, either as principal, manager, agent, consultant, officer, stockholder, partner, investor, lender or employee or in any other capacity, carry on, be engaged in or have any financial interest in, any (i) entity which is in Competition with the business of the Company or its subsidiaries or (ii) Competitive Activity and (B) he or she shall not, on his or her own behalf or on behalf of any person, firm or company, directly or indirectly, solicit or offer employment to any person who is or has been employed by the Company or its subsidiaries at any time during the twelve (12) months immediately preceding such solicitation. For purposes of this paragraph II: (a) an entity shall be deemed to be in "Competition" with the Company or its subsidiaries if it is principally involved in the purchase, sale or other dealing in any property or the rendering of any service purchased, sold, dealt in or rendered by the Company or its subsidiaries as a part of the business of the Company or its subsidiaries within the same geographic area in which the Company effects such sales or dealings or renders such services at the Relevant Date; and (b) "Competitive Activity" shall mean any business into which the Company or any of its subsidiaries has taken substantial steps to engage, as of the Relevant Date, which would be deemed to be in Competition with the business of the Company or its subsidiaries if such steps had been completed prior to the Relevant Date; and (c) the term "Relevant Date" shall mean the effective date of termination of Employee's employment with his or her Employer.

III. Notwithstanding anything contained in this Exhibit A, nothing herein shall (i) prohibit any Eligible Employee from serving as an officer, employee or independent consultant of any business unit or subsidiary which would not otherwise be in Competition with the Company or its subsidiaries or a Competitive Activity, but which business unit is a part of, or which subsidiary is controlled by, or under common control with, an entity that would be in competition with the Company or its subsidiaries, so long as the Eligible Employee does not engage in any activity which is in Competition with any business of the Company or its subsidiaries or is otherwise a Competitive Activity or (ii) be construed so as to preclude the Eligible Employee from investing in any publicly or privately held company, provided the Eligible Employee's beneficial ownership of any class of such company's securities does not exceed 5% of the outstanding securities of such class.

IV. In the event the Company determines that an Eligible Employee has breached the covenants contained in this Exhibit A, the Company may, in addition to pursuing any other remedies it may have in law or in equity, cease making any payments otherwise required by this Plan and/or obtain an injunction against the Eligible Employee from any court having jurisdiction over the matter restraining any further violation of this Exhibit A by the Eligible Employee. Further, if in the opinion of any court of competent jurisdiction any of the restraints identified herein is not reasonable in any respect, such court shall have the right, power and authority to excise or modify such provision or provisions of this covenant as to the court shall appear not reasonable and to enforce the remainder of the covenant as so amended.

CERTIFICATION

I, Michael T. Strianese, certify that:

1. I have reviewed this report on Form 10-Q for the quarter ended March 31, 2017 of L3 Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 27, 2017

/s/ Michael T. Strianese

Michael T. Strianese

Chairman and Chief Executive Officer

CERTIFICATION

I, Ralph G. D'Ambrosio, certify that:

1. I have reviewed this report on Form 10-Q for the quarter ended March 31, 2017 of L3 Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 27, 2017

/s/ Ralph G. D'Ambrosio

Ralph G. D'Ambrosio
Senior Vice President and Chief
Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of L3 Technologies, Inc. (“L3”) on Form 10-Q for the quarter ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Michael T. Strianese, Chairman and Chief Executive Officer and Ralph G. D’Ambrosio, Senior Vice President and Chief Financial Officer, of L3, each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of L3.

Date: April 27, 2017

/s/ Michael T. Strianese
Michael T. Strianese
Chairman and Chief Executive Officer

/s/ Ralph G. D’Ambrosio
Ralph G. D’Ambrosio
Senior Vice President and Chief Financial Officer

