TELEDYNE TECHNOLOGIES INC
Form DEF 14A
March 05, 2015
Table of Contents

SCHEDULE 14A

(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES

EXCHANGE ACT OF 1934

Filed by the Registrant þ

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement
¨ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
þ Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to Section 240.14a-11c or Section 240.14a-12

TELEDYNE TECHNOLOGIES INCORPORATED
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

Teledyne Technologies Incorporated

1049 Camino Dos Rios

Thousand Oaks, CA 91360

March 5, 2015

Dear Stockholder:

We are pleased to invite you to attend the 2015 Annual Meeting of Stockholders of Teledyne Technologies Incorporated. The meeting will be held on Wednesday, April 22, 2015, beginning at 9:00 a.m. (Pacific Time), at the Company s offices at 1049 Camino Dos Rios, Thousand Oaks, California 91360. For your convenience, we are offering a live webcast of the Annual Meeting on our Internet website, www.teledyne.com.

This booklet includes the notice of meeting as well as the Company s Proxy Statement.

As we did in 2014, this year we are following the Securities and Exchange Commission rule that permits us to furnish proxy materials to our stockholders via the Internet. We believe electronic delivery of our proxy materials will help us reduce the environmental impact and costs of printing and distributing paper copies and improve the speed and efficiency by which our stockholders can access these materials. As a result, we are mailing a short Notice of Internet Availability of Proxy Materials (the Notice) to most of our stockholders instead of a paper copy of our full proxy materials. The Notice contains instructions on how to cast your vote online and how to electronically access our proxy materials, including the Notice of Annual Meeting, Proxy Statement, 2014 Annual Report and a proxy card. The Notice also contains instructions on how to request a paper copy of our proxy materials. All stockholders who do not receive the Notice will receive a paper copy of the proxy materials. If you receive a paper copy of our proxy materials, you may cast your vote by completing the enclosed proxy card and returning it in the enclosed self-addressed, postage-paid envelope, or by utilizing the telephone or Internet voting mechanisms noted on the proxy card.

We know that many of you are unable to attend the Annual Meeting in person. The proxies that we solicit give you the opportunity to vote on all matters that are scheduled to come before the Annual Meeting. Whether or not you plan to attend, you can be sure that your shares are represented by promptly voting and submitting your proxy by phone or by Internet as described in the following materials, or if you request that proxy materials be mailed to you, by completing, signing, dating, and returning your proxy card enclosed with those materials in the postage-paid envelope provided to you.

If you are a stockholder of record and plan to attend the meeting, please indicate so if voting electronically when prompted or mark the WILL ATTEND box on your proxy card if voting by mail so that you will be included on our admittance list for the meeting.

Thank you for your investment in our Company. We look forward to seeing you at the 2015 Annual Meeting.

Sincerely,

Robert Mehrabian

Chairman, President and

Chief Executive Officer

Table of Contents

TELEDYNE TECHNOLOGIES INCORPORATED

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

MEETING DATE:	April 22, 2015
TIME:	9:00 a.m. Pacific Time
PLACE:	Teledyne Technologies Incorporated
	1049 Camino Dos Rios
	Thousand Oaks, California 91360
RECORD DATE:	February 27, 2015

AGENDA

1) Election of a class of three directors for a three-year term;

2) Ratification of the appointment of Ernst & Young LLP as the Company s independent registered public accounting firm for fiscal year 2015;

3) Approval of a non-binding advisory resolution on the Company s executive compensation (commonly referred to as a say on pay resolution); and

4) Transaction of any other business properly brought before the meeting.

STOCKHOLDER LIST

A list of stockholders entitled to vote will be available during business hours for 10 days prior to the meeting at the Company s executive offices, 1049 Camino Dos Rios, Thousand Oaks, California 91360, for examination by any stockholder for any legally valid purpose.

ADMISSION TO THE MEETING

Teledyne s stockholders or their authorized representatives by proxy may attend the meeting. If you are a stockholder of record and you plan to attend the meeting, please indicate so if voting electronically when prompted or mark the WILL ATTEND box on your proxy card if voting by mail so that you will be included on our admittance list for the meeting. If your shares are held through an intermediary, such as a broker or a bank, you should present proof of your ownership at the meeting. Proof of ownership could include a proxy from your bank or broker or a copy of your account statement.

By Order of the Board of Directors,

Melanie S. Cibik

Senior Vice President, General Counsel

and Secretary

March 5, 2015

YOUR VOTE IS IMPORTANT

IMPORTANT: WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, PLEASE PROMPTLY SUBMIT YOUR PROXY ELECTRONICALLY OVER THE INTERNET OR BY TELEPHONE, OR IF YOU RECEIVE A PAPER PROXY CARD, PLEASE FILL IN, SIGN AND PROMPTLY RETURN YOUR PROXY CARD IN THE ENCLOSED POSTAGE-PAID ENVELOPE

***Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting Stockholders to be Held on Wednesday, April 22, 2015*. Our Proxy Statement and 2014 Annual Report on Form 10-K are available at: www.envisionreports.com/tdy.**

Table of Contents

PROXY STATEMENT

TABLE OF CONTENTS

DEFINED TERMS

In this Proxy Statement, Teledyne Technologies Incorporated is sometimes referred to as the Company or Teledyne .

Table of Contents

PROXY STATEMENT

FOR 2015 ANNUAL MEETING OF STOCKHOLDERS

Pursuant to the rules adopted by the U.S. Securities and Exchange Commission (the SEC), the Company is furnishing proxy materials to its stockholders primarily via the Internet, rather than mailing paper copies of these materials to each stockholder. This is known as the notice and access method of delivery. The Company believes this process will help it reduce the environmental impact and costs of printing and distributing paper copies and improve the speed and efficiency by which the Company s stockholders can access these materials. On or about March 11, 2015, the Company will mail to each stockholder (other than those stockholders who previously had requested paper delivery of proxy materials) a Notice of Internet Availability of Proxy Materials containing instructions on how to access and review the proxy materials, including this Proxy Statement and the Company s 2014 Annual Report on Form 10-K filed with the SEC, on the Internet and how to access a proxy card to vote on the Internet or by telephone. The Notice of Internet Availability of Proxy Materials also contains instructions on how to request a paper copy of the proxy materials. If you received a Notice of Internet Availability of Proxy Materials by mail, you will not receive a paper copy of the proxy materials unless you request one. If you would like to receive a paper copy of the proxy materials, please follow the instructions included in the Notice of Internet Availability of Proxy Materials. The Company may at its discretion voluntarily choose to mail or deliver a paper copy of the proxy materials, including this Proxy Statement and the Company s 2014 Annual Report on Form 10-K filed with the SEC, to one or more stockholders.

We are offering a live webcast of the Annual Meeting on our Internet website, *www.teledyne.com*. The webcast of the Annual Meeting will consist of live sound and real-time access to printed material. To access the webcast of the Annual Meeting, a stockholder should log on to *www.teledyne.com* on Wednesday, April 22, 2015 shortly before 9:00 a.m. (Pacific Time) and follow the instructions provided under the Investors section of the website. Stockholders will not be permitted to vote via the Internet during the Annual Meeting nor will they be able to submit questions via the webcast during the questions and answers session.

VOTING PROCEDURES

Who May Vote

If you were a stockholder at the close of business on February 27, 2015, you may vote at the Annual Meeting. On that day, there were 35,298,820 shares of our common stock outstanding.

Each share is entitled to one vote. In order to vote, you must either designate a proxy to vote on your behalf or attend the meeting and vote your shares in person. Our Board of Directors requests your proxy so that your shares will count toward determination of the presence of a quorum and your shares can be voted at the meeting.

Methods of Voting

Stockholders of record can vote in person, by Internet, by telephone or by mail, as described below. If you are a beneficial stockholder, please refer to the information forwarded by your broker, bank or other holder of record to see what options are available to you. Stockholders of record may cast their vote by:

(1) Attending and voting in person at the Annual Meeting;

(2) Accessing the Internet website specified in the Notice of Internet Availability of Proxy Materials and following the instructions provided on the website (or if printed copies of the proxy materials were requested, as specified in the printed proxy card);

(3) Calling the telephone number specified in the Notice of Internet Availability of Proxy Materials and voting by following the instructions provided on the phone line (or if copies of the proxy materials were requested, as specified in the printed proxy card); or

(4) Requesting a printed proxy card and completing, signing, dating and promptly mailing the proxy card in the envelope provided.

If you sign and return your proxy card, but do not make specific selections, your proxy will vote your shares as recommended by the Board.

Revoking Your Proxy

You may change your mind and stockholders of record may revoke a proxy at any time before it is voted at the meeting by:

- sending a written notice to the Secretary for receipt prior to the meeting that you revoke your proxy;
- transmitting a proxy dated later than your prior proxy either by mail, telephone or Internet; or
- attending the Annual Meeting and voting in person or by proxy (except for shares held in the employee benefit plan).

If you are a beneficial stockholder, please refer to the information forwarded by your broker, bank or other holder of record to determine what options are available to you.

Voting By Employee Benefit Plan Participants

Participants who hold common stock in the Teledyne Technologies Incorporated 401(k) Plan may instruct the plan trustee how to vote the shares of common stock allocated to their accounts. You may either (1) sign and return the voting instruction card provided by the plan or (2) transmit your instructions by telephone or Internet. If you do not transmit instructions by 11:59 p.m. (Eastern Time), on April 17, 2015, your shares will not be voted by the plan trustee, except as otherwise required by law.

Voting Shares Held By Brokers, Banks and Other Nominees

Votes will be counted by the inspector of election appointed for the meeting, who will separately count For and Withhold and, with respect to any proposals other than the election of directors, Against votes, abstentions and broker non-votes. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that proposal and has not received instructions with respect to that proposal from the beneficial owner, despite voting on at least one other proposal for which it does have discretionary authority or for which it has received instructions. Pursuant to our Amended and Restated Bylaws, abstentions shall not count as votes cast ; consequently, abstentions will have no effect on any proposal. With respect to each proposal, broker non-votes have no effect and will not be counted towards the vote total for any proposal, including the election of directors and say on pay. With respect to each proposal, abstentions and broker non-votes will be included in determining the presence of a quorum.

If your shares are held by your broker, bank or other agent as your nominee (that is, in street name), you will need to obtain voting instructions from the institution that holds your shares regarding how to instruct your broker, bank or other agent to vote your shares. If you do not give instructions to your broker, bank or other agent, they can vote your shares with respect to discretionary items, but not with respect to non-discretionary items. Discretionary items are proposals considered routine under the rules of the New York Stock Exchange (NYSE) on which your broker, bank or other agent may vote shares held in street name in the absence of your

Table of Contents

voting instructions. The only item that is considered routine under the rules of the NYSE to be considered at this year s Annual Meeting is the ratification of the selection of our independent auditors (Item 2). On non-discretionary items for which you do not give instructions to your broker, bank or other agent, the shares will be treated as broker non-votes.

Confidential Voting Policy

We maintain a policy of keeping stockholder votes confidential. Your vote will not be disclosed either within the Company or to third parties except as necessary to meet applicable legal requirements, to allow for the tabulation and calculation of votes, and to facilitate a successful proxy solicitation.

BOARD COMPOSITION AND PRACTICES

Information and Meetings

The Board of Directors directs the management of the business and affairs of the Company as provided in our Amended and Restated Bylaws and pursuant to the laws of the State of Delaware. Except for Dr. Robert Mehrabian, our Chairman, President and Chief Executive Officer, the Board is not involved in day-to-day operations. Members of the Board keep informed about our business through discussions with the senior management and other officers and managers of the Company and its subsidiaries, by reviewing information provided to them, and by participating in Board and committee meetings.

We encourage, but do not require, that all our directors attend all meetings of the Board of Directors, all committee meetings on which the directors serve and the annual stockholders meeting. In 2014, the Board of Directors held seven meetings and acted by written consent three times. During 2014, all directors attended at least 75% of the aggregate number of meetings of the Board and Board committees of which they were members. All of the current directors attended the 2014 Annual Meeting of Stockholders, except for Jane C. Sherburne, who was appointed to our Board after the date of the 2014 Annual Meeting.

Number of Directors

The Board of Directors determines the number of directors, which under our Amended and Restated By-laws must consist of not less than four members and not more than 12 members. The Board has currently fixed the number at 10 members.

Director Terms

The directors are divided into three classes and the directors in each class serve for a three-year term. The term of one class of directors expires each year at the Annual Meeting of Stockholders. The Board may fill a vacancy by electing a new director to the same class as the director being replaced. The Board may also create a new director position in any class and elect a director to hold the newly created position until the term of the class expires.

Directors Retirement Policy

On June 1, 2000, we adopted a retirement policy for directors. This policy, as amended, generally requires directors to retire at the Annual Meeting following their 75th birthday. This policy also requires a director to offer to tender his or her resignation if such director has a change in professional status. Mr. Cahouet, age 82, is currently serving through the 2017 Annual Meeting under a waiver granted by the Board. Mr. Crocker, who turned 76 in February 2015, is currently serving through the 2016 meeting under a waiver granted by the Board.

Table of Contents

Board Structure

The Board of Directors currently consists of 10 directors, nine of whom are considered independent under existing rules of the NYSE and the SEC. The Chairman of the Board, who is also our President and Chief Executive Officer and is not considered an independent director, presides at meetings of stockholders and Board meetings. The Board has formally designated Charles Crocker, one of our independent directors, to serve as the lead director. The lead director presides in those executive sessions where the non-management or independent directors meet without the Chief Executive Officer. In addition, the Board s three standing committees consist solely of independent directors.

The Board believes that its current leadership structure effectively allocates authority, responsibility and oversight between management and the independent members of the Board, thus ensuring the Board s ability to carry out its roles and responsibilities on behalf of the Company s stockholders. The Board does not have a policy regarding the separation of the roles of the Chairman of the Board and the Chief Executive Officer because it believes the Board should be able to freely select the Chairman of the Board based on criteria that it deems to be in the best interests of the Company and its stockholders. The Board does not believe its independence is compromised by having a single person serve as Chairman and Chief Executive Officer. The functions of the Board are carried out by the full Board, and when delegated, by the Board committees. Each director is a full and equal participant in the major strategic and policy decisions of our Company and the Chairman has no greater or lesser vote on matters considered by the Board. Our non-management directors meet in executive session without management (including the Chief Executive Officer) on a regularly scheduled basis, with the lead director presiding in such sessions.

The Board believes that currently it is in the best interests of the Company and its stockholders to have a single person serve as Chairman and Chief Executive Officer to provide unified leadership and direction and an independent lead director to preside over executive sessions and to serve when the Chairman and Chief Executive Officer is unable to perform the duties of that office. However, consistent with good corporate governance principles, the Nominating and Governance Committee will continue to review periodically this issue to determine whether, based on the relevant facts and circumstances at such future times, separation of the offices of Chairman and Chief Executive Officer would better serve the interests of the Company and its stockholders.

CORPORATE GOVERNANCE

Director Independence

In April 2014, our Nominating and Governance Committee assessed, and our Board determined, the independence of each director in accordance with applicable NYSE and SEC rules, as then in effect, with the exception of Ms. Sherburne, for whom such assessment and determination took place in December 2014. In order to comply with such rules, our Nominating and Governance Committee considered various relationship categories including: whether the director is an employee, amount of stock ownership, and commercial, industrial, banking, consulting, legal, accounting or auditing, charitable and familial relationships, as well as a range of individual circumstances (including social friendships between certain members of the Board). See Certain Transactions at page 61. The Nominating and Governance Committee, followed by the Board, determined that each member of our Board of Directors did not have any material relationships with us and was thus independent, with the exception of Dr. Mehrabian, our Chairman, President and Chief Executive Officer. Our management, after reviewing director questionnaires, reported to our Board in February 2015 that information on which the board based its independence assessment in 2014 has not materially changed. The independent directors by name are: Roxanne S. Austin, Frank V. Cahouet, Charles Crocker, Kenneth C. Dahlberg, Simon M. Lorne, Paul D. Miller, Jane C. Sherburne, Michael T. Smith and Wesley W. von Schack. Ruth E. Bruch was an independent director prior to her resignation from the Board for health reasons on August 25, 2014.

Table of Contents

The Nominating and Governance Committee, followed by the Board, also determined that each member of our Personnel and Compensation Committee is an outside director within the meaning of Rule 162(m) of the Internal Revenue Code and a non-management director within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the Exchange Act).

All of the Board s standing committees consist only of independent directors.

Corporate Governance and Ethics Guidelines

Our Board of Directors has adopted many best practices in the area of corporate governance, including separate standing committees of the Board for each of audit, nominating and governance and personnel and compensation matters, charters for each of the committees, and corporate ethics and compliance guidelines.

Our ethics and compliance guidelines for employees are contained in the Global Code of Ethical Business Conduct. These guidelines apply to all our employees, including our principal executive, financial and accounting officers. Our employees receive annual ethics training and questionnaires are distributed annually to various personnel in an effort to confirm compliance with these guidelines. It is our policy not to waive compliance with these guidelines. We also have a specialized code of ethics for financial executives that supplements the employee guidelines. In addition, we have ethics and compliance guidelines for our service providers.

Our Board of Directors has adopted a code of business conduct and ethics for directors. This code is intended to provide guidance to directors to help them recognize and deal with ethical issues, including conflicts of interest, corporate opportunities, fair dealing, compliance with law and proper use of the Company s assets. It also provides mechanisms to report possible unethical conduct.

Our Board of Directors has adopted Corporate Governance Guidelines. These Corporate Governance Guidelines were initially developed by our Nominating and Governance Committee and are reviewed at least annually by such Committee. These Corporate Governance Guidelines incorporate practices and policies under which our Board has operated since its inception, in addition to many of the requirements of the SEC and the NYSE. Some of the principal subjects covered by the Corporate Governance Guidelines include:

- Director qualification standards.
- Director responsibilities.
- Director access to management and independent advisors.
- Director compensation.
- Director orientation and continuing education.
- Management succession.
- Annual performance evaluation of the Board and its Committees.
- Director retirement and resignations.

Role of the lead director.

Copies of our Corporate Governance Guidelines, Global Code of Ethical Business Conduct, Code of Ethics for Financial Professionals, Directors Code of Business Conduct and Ethics, Ethics Code of Conduct for Service Providers, Corporate Governance Guidelines and Committee charters are available on our website at www.teledyne.com under Corporate Information Governance . We intend to post any amendments to these documents and any waivers of the provisions thereof related to directors or executive officers on our website. If at any time you would like to receive a paper copy of these documents free-of-charge, please write to Melanie S. Cibik, Senior Vice President, General Counsel and Secretary, Teledyne Technologies Incorporated, 1049 Camino Dos Rios, Thousand Oaks, California 91360.

Table of Contents

Risk Management Oversight

The risk oversight function of the Board of Directors is carried out by both the Board and the Audit Committee. As provided in its charter, the Audit Committee meets periodically with management to discuss the Company s major financial and operating risk exposures and the steps, guidelines and policies taken or implemented relating to risk assessment and risk management. Matters of strategic risk are considered by the Board as a whole. At each regularly scheduled meeting of the Audit Committee, our Vice President, Business Risk Assurance reports directly to the Audit Committee on the activities of the Company s internal audit function. Management also reports to the Audit Committee on legal, tax, finance, accounting and pension matters at least quarterly. The Board is provided with reports on legal matters at periodically scheduled meetings and on other matters related to risk oversight on an as needed basis. In addition, the Audit Committee reviews with management the risk factors that appear in our Annual Report on Form 10-K prior to its filing.

We have an Enterprise Risk Management Committee, consisting of executive officers and other employees, to identify significant company risks and determine whether we have appropriate risk management policies, practices, and procedures in place. Our Vice President and Treasurer periodically reports to the Audit Committee and the Board of Directors on the progress and results of this program.

Risks Related to Compensation Policies and Practices

The Company and the Personnel and Compensation Committee have undertaken a process to determine whether the Company s overall compensation program for employees creates incentives for employees to take excessive or unreasonable risks that could materially harm the Company. As part of this process, the Company received input and analysis from its independent compensation consultant, Exequity LLP, and management prepared a framework of potential risk and evaluated the Company s compensation policies in the context of this framework. The results of this evaluation were reviewed by and discussed with the Personnel and Compensation Committee.

We believe that several features of our compensation policies for management employees appropriately mitigate such risks, including a balanced mix of long- and short-term compensation incentives, the use of incentive award plans with capped payouts, the use of a diverse mix of performance measures in our incentive award plans and our stock ownership requirements for key officers. In addition, we use our annual business plan as a baseline for our Annual Incentive Plan targets, which the Personnel and Compensation Committee regards as setting an appropriate level of risk taking for the Company. We also believe the Company s internal legal and financial controls appropriately mitigate the probability and potential impact of an individual employee committing the Company to a harmful long-term business transaction in exchange for short-term compensation benefits. In light of these features of our compensation program and these additional controls, our management and our Personnel and Compensation Committee have concluded that the risks arising from our employee compensation policies and practices are not reasonably likely to have a material adverse effect on the Company.

Sarbanes-Oxley Disclosure Committee

We have a Sarbanes-Oxley Disclosure Committee. Current members include: Wajid Ali, Vice President and Controller; Cynthia Belak, Vice President, Business Risk Assurance; Stephen F. Blackwood, Vice President and Treasurer; Melanie S. Cibik, Senior Vice President, General Counsel and Secretary; Brian A. Levan, Senior Director of Financial Reporting and Assistant Controller; Susan L. Main, Senior Vice President and Chief Financial Officer; S. Paul Sassalos, Associate General Counsel and Assistant Secretary; and Jason VanWees, Senior Vice President, Strategy and Mergers and Acquisitions. Among its tasks, the Disclosure Committee discusses and reviews disclosure issues to help us fulfill our disclosure obligations on a timely basis in accordance with SEC rules and regulations and is intended to be used as an additional resource for employees to raise questions regarding accounting, auditing, internal controls and disclosure matters.

We have a confidential Ethics/Help Line, where questions or concerns about us can be raised confidentially and anonymously. The Ethics/Help line is available to all of our employees, as well as concerned individuals outside the Company. The toll-free help line number is 1-877-666-6968. International dialing instructions are available at www.teledyne.ethicspoint.com. Issues can also be reported via that website.

The receipt of concerns about our accounting, internal controls and auditing matters will be reported to the Audit Committee.

Communications with the Board

Our Corporate Governance Guidelines provide that any interested parties desiring to communicate with our non-management directors, including our lead director, may contact them through our Secretary, Melanie S. Cibik, whose address is: Teledyne Technologies Incorporated, 1049 Camino Dos Rios, Thousand Oaks, California 91360. The Secretary will review each communication received and make a determination as to whether the communication, or a summary thereof, will be forwarded to the Nominating and Governance Committee or other appropriate Board committee or member.

ITEM 1 ON PROXY CARD   ELECTION OF DIRECTORS

The Board of Directors has nominated for election this year the class of three incumbent directors whose terms expire at the 2015 Annual Meeting. The three-year term of the class of directors nominated and elected this year will expire at the 2018 Annual Meeting. So long as the number of nominees does not exceed the number of nominees to be elected (which is three nominees in the case of the 2015 Annual Meeting), each nominee will be elected if the nominee receives the vote of the majority of the votes cast with respect to such director. A majority of the votes cast means that the number of shares voted   for   a nominee must exceed the number of votes cast against that nominee. The Board has adopted a policy whereby all director nominees must submit a contingent resignation in writing to the Chairman of the Nominating and Governance Committee. The resignation becomes effective only if the director is not elected by a majority of votes cast and the Board accepts the resignation. The Nominating and Governance Committee or another committee appointed by the Board will recommend to the Board whether to accept or reject the resignation or whether other action should be taken. The Board will act on such committee s recommendation and publicly disclose its decision and the rationale behind it within 90 days following the date of the certification of the election results. The director who was not elected by a majority of votes cast will not participate in the Board s decision with respect to such resignation. If the number of nominees exceeds the number of directors to be elected, the nominees who receive the highest number of votes cast will be elected.

Unless otherwise instructed, the individuals named as proxies in the proxy card will vote each proxy received by them for the election of the three named nominees. You may withhold authority for the proxies to vote your shares on any or all of the nominees by following the instructions on your proxy card. If a nominee becomes unable to serve, the proxies will vote for a Board-designated substitute or the Board may reduce the number of directors. The Board has no reason to believe that any nominee will be unable to serve.

Background information about the nominees and continuing directors follows, including the specific experiences, qualifications, attributes and skills that the Board believes qualifies each of the below named individuals to serve as a director of the Company, in light of the Company s business and structure.

Table of Contents

Nominees For Terms Expiring at 2018 Annual Meeting (Class I)

Simon M. Lorne

Vice Chairman and Chief Legal

Officer of Millennium

Management LLC

Director since 2004

Age: 69

Simon M. Lorne is the Vice Chairman and Chief Legal Officer of Millennium Management LLC, a hedge fund management company. From March 1999 to March 2004, prior to the time he became a Teledyne director, Mr. Lorne was a partner with Munger Tolles & Olson, LLP, a law firm whose services Teledyne has used from time to time. Mr. Lorne has also previously served as a Managing Director, with responsibility for Legal Compliance and Internal Audit of Citigroup/Salomon Brothers and as the General Counsel at the SEC in Washington, D.C. Mr. Lorne served as a director of Opsware, Inc., a provider of data center automation software, from 2000 to 2007. Since 1999, Mr. Lorne has been co-director of Stanford Law School s Directors College. Since 2011, Mr. Lorne has served on the Advisory Council of the Public Company Accounting Oversight Board. Mr. Lorne is a member of our Audit Committee and our Nominating and Governance Committee.

The following experience, qualifications, attributes and/or skills led the Board to conclude that Mr. Lorne should serve as a director: his professional background and experience, current and previously held senior-executive level positions, senior level experience at a government regulator, his service on other public and private company boards, his Teledyne board experience, board attendance and participation, and his specialized expertise in finance, mergers and acquisitions, securities laws and corporate governance.

Paul D. Miller

Retired Chairman of Alliant

Techsystems, Inc. (ATK)

Director since 2001

Age: 73

Paul D. Miller was the Chairman of the Board of Alliant Techsystems, Inc. (ATK), an advanced weapon and space systems company, from January 1999 until April 2005 and served as Chief Executive Officer of ATK from January 1999 until October 2004. Prior to retirement from the U.S. Navy in 1994, Admiral Miller served as Commander-in-Chief, U.S. Atlantic Command and NATO Supreme Allied Commander Atlantic. He is also a director of Donaldson Company, Inc., a manufacturer of filtration systems, and Huntington Ingalls Industries, Inc., a shipbuilding company. Admiral Miller is a member of our Audit Committee and our Nominating and Governance Committee.

The following experience, qualifications, attributes and/or skills led the Board to conclude that Admiral Miller should serve as a director: his executive, professional and military background and experience, current and previously held senior-executive level positions, his service on other public and private company boards, Teledyne board experience, board attendance and participation, his extensive experience with and leadership positions in the defense community, his knowledge of finance, manufacturing, human resources, corporate governance and audit functions and his extensive understanding of strategic planning, tactical business decision making and risk management.

Table of Contents

Wesley W. von Schack

Chairman of AEGIS Insurance

Company and Former

Chairman, President and

Chief Executive Officer of

Energy East Corporation

Director since 2006

Age: 70

Wesley W. von Schack is the Chairman of AEGIS Insurance Company, a position he has held since 2007. He currently serves as the lead director and Chairman of the Executive Committee of The Bank of New York Mellon Corporation and serves as the lead director of Edward Lifesciences Corporation, a company engaged in the science of heart valves and hemodynamic monitoring. Dr. von Schack served as Chairman, President and Chief Executive Officer of Energy East Corporation, a diversified energy services company, from 1996 to September 2009. Dr. von Schack served as a director of Mellon Financial Corporation from 1989 to 2007. Dr. von Schack is director emeritus of the Gettysburg Foundation, and is a member of the President s Council Peconic Land Trust. Dr. von Schack is a member of our Nominating and Governance Committee and our Personnel and Compensation Committee.

The following experience, qualifications, attributes and/or skills led the Board to conclude that Dr. von Schack should serve as a director: his professional background and experience, previously held senior-executive level positions, his service on other private and public company boards, his leadership positions at private foundations, his Teledyne board experience, board attendance and participation, and his extensive experience with companies in the energy, banking, financial asset management sectors and in regulated industries.

The Board of Directors Recommends

a Vote FOR the Election of the Nominees.

Table of Contents

Continuing Directors Terms Expire at 2016 Annual Meeting (Class II)

Charles Crocker *Chairman and Chief Executive Officer, Crocker Capital and Retired Chairman and Chief Executive Officer of BEI Technologies, Inc.* *Director since 2001* *Age: 76*	Charles Crocker is the Chairman and Chief Executive Officer of Crocker Capital, a private investment company. Mr. Crocker was the Chief Executive Officer of the Custom Sensors and Technologies Division of Schneider Electric until January 2006. Mr. Crocker was the Chairman and Chief Executive Officer of BEI Technologies, Inc., a diversified technology company, from March 2000 until October 2005, when it was acquired by Schneider Electric. Mr. Crocker served as Chairman, President and Chief Executive Officer of BEI Electronics from October 1995 to September 1997, at which time he became Chairman, President and Chief Executive Officer of BEI Technologies, Inc. He serves as a director of ImageWare Systems, Inc., a developer of identity management solutions. From 2003 until 2014, he served as a director of Franklin Resources, Inc., and from 2010 until August 2012, he served as a director of ConMed Healthcare Management, Inc. Mr. Crocker has been Chairman of the Board of Children s Hospital in San Francisco, Chairman of the Hamlin School s Board of Trustees and President of the Foundation of the Fine Arts Museums of San Francisco. Mr. Crocker is the Chair of our Personnel and Compensation Committee and a member of our Nominating and Governance Committee. Mr. Crocker serves as our lead director. The following experience, qualifications, attributes and/or skills led the Board to conclude that Mr. Crocker should serve as a director: his professional background and experience, current and previously held senior-executive level positions, his service on other public and private company boards, his Teledyne board experience, board attendance and participation, and his extensive experience with technology companies serving both the commercial and defense sectors.
Robert Mehrabian *Chairman, President and Chief Executive Officer of the Company* *Director since 1999* *Age: 73*	Robert Mehrabian is the Chairman, President and Chief Executive Officer of Teledyne Technologies Incorporated. He has been the President and Chief Executive Officer of Teledyne since its formation in 1999. He became Chairman of the Board in December 2000. Prior to the spin-off of the Company by Allegheny Technologies Incorporated (ATI) in November 1999, Dr. Mehrabian was the President and Chief Executive Officer of ATI s Aerospace and Electronics segment since July 1999 and had served ATI in various senior executive capacities since July 1997. Before joining ATI, Dr. Mehrabian served as President of Carnegie Mellon University. From 1992 until April 2014, he served as a director of PPG Industries, Inc. Dr. Mehrabian served as a director of Mellon Financial Corporation from 1994 to 2007 and served as director of its successor The Bank of New York Mellon Corporation until April of 2011. He is a member of The National Academy of Engineering.

Table of Contents

The following experience, qualifications, attributes and/or skills led the Board to conclude that Dr. Mehrabian should serve as a director: his leadership skills acquired while serving as the Company s Chairman, Chief Executive Officer and President, previously held senior-executive level positions at public companies and at academic institutions, his service on public company boards, and his extensive knowledge and understanding of the Company s business, operations, technology, products and services.

Jane C. Sherburne

Principal of Sherburne

PLLC

Former Senior Executive

Vice President, General

Counsel and Corporate

Secretary of Bank of New

York Mellon

Director since 2014

Age: 63

Ms. Sherburne is currently principal of Sherburne PLLC, a legal consulting firm providing strategic advice in crisis environments and in connection with regulatory policy developments. From May 2010 to July 2014, Ms. Sherburne served as Senior Executive Vice President, General Counsel and Corporate Secretary of The Bank of New York Mellon Corporation. Ms. Sherburne served as Senior Executive Vice President and Corporate Secretary of Wachovia Corporation from June 2008 to January 2009, during which time Wachovia merged with Wells Fargo & Company. From December 2006 to June 2008, Sherburne was General Counsel of Citigroup Inc. s Global Consumer Business. From July 2001 to December 2006, Ms. Sherburne was Deputy General Counsel of Citigroup, Inc. Until July 2001, Ms. Sherburne was a litigation partner at the Washington, D.C. law firm of Wilmer, Cutler & Pickering, having joined the firm in 1984. Ms. Sherburne interrupted her private practice from 1994 to 1997 to serve as Special Counsel to the President in the Clinton White House. Ms. Sherburne is Chairman of the Board of the National Woman s Law Center, a member of the Executive Committee of the Lawyers Committee for Civil Rights Under Law, a member of the Board of Trustees of the New York Lawyers for Public Interest, a Trustee of The Constitution Project, a member of the Committee for Economic Development, and a member of the American Law Institute. She also serves on the Council of the Administrative Conference of the United States, to which she was appointed by President Obama in July 2010. Ms. Sherburne is a member of our Audit Committee and our Personnel and Compensation Committee.

The following experience, qualifications, attributes and/or skills led the Board to conclude that Ms. Sherburne should serve as a director: her professional background and experience, current and previously held senior-executive level positions, senior level experience in positions in the federal government, and her extensive experience in policy, compliance, corporate governance and government matters and in regulated industries.

Table of Contents

Michael T. Smith *Retired Chairman of the Board* *and Chief Executive Officer of* *Hughes Electronics* *Corporation* *Director since 2001* *Age: 71*	Michael T. Smith is the retired Chairman of the Board and Chief Executive Officer of Hughes Electronics Corporation, having held such positions from October 1997 until May 2001. Mr. Smith is also a director of FLIR Systems, Inc., which produces infrared cameras, thermal imaging software and temperature measurement devices, WABCO Holdings, Inc., which provides electronic and electromechanical products for the automotive industry, and Zero Gravity Solutions, Inc., an agricultural biotechnology company. Mr. Smith was a director of Ingram Micro Corporation, a technology sales, marketing and logistics company, from 2001 until June 2014, Alliant Techsystems, Inc. (ATK), an advanced weapon and space systems company, from 1997 to 2009, and Anteon International Corporation, an information technology and systems engineering solutions company, from 2005 to 2006. Mr. Smith is a member of the Council of Chief Executives and the former chairman of the Aerospace Industries Association, an industry trade organization, and is a charter member of the Electronic Industries Foundation Leadership Council. Mr. Smith is the Chair of our Nominating and Governance Committee and a member of our Audit Committee. The following experience, qualifications, attributes and/or skills led the Board to conclude that Mr. Smith should serve as a director: his professional background and experience, previously held senior-executive level positions, his service on other public and private company boards, Teledyne board experience, board attendance and participation, and his extensive experience with companies in the aerospace, defense, engineering, communications and manufacturing sectors.

Continuing Directors Terms Expire at 2017 Annual Meeting (Class III)

Roxanne S. Austin *President of Austin Investment* *Advisors* *Director since 2006* *Age: 54*	Ms. Austin is the President of Austin Investment Advisors, a private investment and consulting firm, a position she has held since 2004. From July 2009 through July 2010, Ms. Austin also served as the President and Chief Executive Officer of Move Networks, Inc., a provider of Internet television services. Ms. Austin served as President and Chief Operating Officer of DIRECTV, Inc. from June 2001 to December 2003. She also served as Executive Vice President of Hughes Electronics Corporation (Hughes) and as a member of its executive committee until December 2003. From 1997 to June 2001, Ms. Austin was the Corporate Senior Vice President and Chief Financial Officer of Hughes. Prior thereto, she held various senior financial positions with Hughes. Prior to joining Hughes in 1993, Ms. Austin was a partner at the accounting firm Deloitte & Touche. Ms. Austin is also a director of Target Corporation (having served as the retailer s interim Board chairwoman during part of 2014), Abbott Laboratories, Telefonaktiebolaget LM Ericsson and AbbVie, Inc. Ms. Austin is a member of our Personnel and Compensation Committee and our Nominating and Governance Committee.

The following experience, qualifications, attributes and/or skills led the Board to conclude that Ms. Austin should serve as a director: her professional background and experience, current and previously held senior-executive level positions, her service on other public and private company boards, Teledyne board experience, board attendance and participation, and her extensive experience in electronics, communications, aerospace, defense and related industries and specialized expertise in public company accounting and mergers and acquisitions and most recently cyber security.

Frank V. Cahouet

Retired Chairman and Chief

Executive Officer of Mellon

Financial Corporation

Director since 1999

Age: 82

Frank V. Cahouet served as the Chairman, President and Chief Executive Officer of Mellon Financial Corporation, a bank holding company, and Mellon Bank, N.A., prior to his retirement on December 31, 1998. Mr. Cahouet has served as a director of NBH Holdings Corp., a bank holding company, since 2009. Mr. Cahouet served as a director of Korn/Ferry International, a provider of recruiting services, from 1997 to 2009, and Saint-Gobain Corporation, a manufacturer of glass, ceramics, plastics and cast iron, from 1992 to 2008. Mr. Cahouet is a trustee emeritus of both Carnegie Mellon University and the University of Pittsburgh. He is on the board of regents of Saint Vincent Seminary, a member of the board of trustees for the Historical Society of Western Pennsylvania and a council member of The Pennsylvania Society. He is a director of The World Affairs Council of Pittsburgh and is director emeritus of Extra Mile Education Foundation. In addition, he serves on the Advisory Board of the Little Sisters of the Poor. Mr. Cahouet is Chair of our Audit Committee and a member of our Nominating and Governance Committee.

The following experience, qualifications, attributes and/or skills led the Board to conclude that Mr. Cahouet should serve as a director: his professional background and experience, previously held senior-executive level positions, his service on other public and private company boards, leadership positions with private foundations, Teledyne board experience, board attendance and participation, and his extensive experience in accounting, finance, banking and asset management.

Table of Contents

Kenneth C. Dahlberg

Retired Chairman of the

Board and Former Chief

Executive Officer of Science

Applications International

Corporation (SAIC)

Director since 2006

Age: 70

Kenneth C. Dahlberg served as Chief Executive Officer of Science Applications International Corporation (SAIC), a research and engineering firm specializing in information systems and technology, from November 2003 through September 2009, and served as Chairman of the Board of Directors of SAIC from July 2004 until his retirement in June 2010. Prior to joining SAIC, Mr. Dahlberg served as executive vice president of General Dynamics where he was responsible for its Information Systems and Technology Group and prior to that served as President and Chief Operating Officer of Raytheon Systems. Mr. Dahlberg is also a director of Motorola Solutions, Inc., a provider of mission critical communication products and services, and of Parsons Corp., a privately-held engineering, construction, technical and management services firm. Mr. Dahlberg is a member of our Personnel and Compensation Committee and our Audit Committee.

The following experience, qualifications, attributes and/or skills led the Board to conclude that Mr. Dahlberg should serve as a director: his professional background and experience, previously held senior-executive level positions, his service on other public company boards, his Teledyne board experience, board attendance and participation, his extensive experience with companies in the defense industry and his background and experience in design engineering, production, system development and services.

Table of Contents

COMMITTEES OF OUR BOARD OF DIRECTORS

Our Board of Directors has established an Audit Committee, a Nominating and Governance Committee and a Personnel and Compensation Committee. From time to time, our Board of Directors may establish other committees. Each of the Audit Committee, Nominating and Governance Committee and Personnel and Compensation Committee has a written charter that can be accessed on our website at www.teledyne.com under Corporate Information Governance .

Audit Committee

The members of the Audit Committee are:

Frank V. Cahouet, Chair

Kenneth C. Dahlberg

Simon M. Lorne

Paul D. Miller

Jane C. Sherburne (beginning January 1, 2015)

Michael T. Smith

The Audit Committee held six meetings in 2014. Ms. Bruch was a member of the Audit Committee prior to her resignation for health reasons on August 25, 2014.

The primary purpose of the Audit Committee is to assist the Board s oversight of the integrity of our financial statements, our compliance with legal and regulatory requirements, the qualification and the independence of our independent auditor, and the performance of our internal audit function and independent auditor. As provided in its charter, the Audit Committee is directly responsible for the appointment, retention, compensation, oversight, evaluation and termination of our independent auditor (including resolving disagreements between management and the independent auditor regarding financial reporting). The Audit Committee has been designated as the qualified legal compliance committee. In carrying out its responsibilities, the Audit Committee undertakes to do many things, including:

- Retain and approve the terms of the engagement and fees to be paid to the independent auditor.

- Evaluate the performance of the independent auditor.

- Receive written periodic reports from the independent auditor delineating all relationships between the independent auditor and us.

- Review with the independent auditor any problems or difficulties the independent auditor may have encountered and any management letter provided by the independent auditor and our response to that letter.

- Review our annual audited financial statements and the report thereon and quarterly unaudited financial statements with the independent auditor and management prior to publication of such statements.

- Discuss with management the earnings press releases (including the type of information and presentation of information).

Review major issues regarding accounting principles and financial statement presentations and judgments made in connection with the preparation of our financial statements.

Meet periodically with management to review our financial risk exposures and the steps management has taken to monitor and control such exposures.

Review with our General Counsel legal matters that may have a material impact on the financial statements, our compliance policies and any material reports or inquiries received from regulators or governmental agencies.

The charter of the Audit Committee was last amended and restated on December 15, 2009. The Audit Committee charter provides that our senior internal auditing executive reports directly and separately to the Chair of the Audit Committee and the Chief Executive Officer. As required by the charter, our Audit Committee also has established procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls and auditing matters. See Corporate Governance Sarbanes-Oxley Disclosure Committee at page 6.

The Audit Committee meets the size, independence and financial sophistication and expertise requirements of the NYSE, including the enhanced independence requirements for Audit Committee members under Exchange Act Rule 10A-3. The Board of Directors has determined that Frank V. Cahouet is an audit committee financial expert within the meaning of the SEC regulations and all of the members are independent and financially literate under the NYSE listing standards. Our Corporate Governance Guidelines provide that no director may serve as a member of the Audit Committee if such director serves on the audit committees of more than two other public companies unless the Board determines that such simultaneous service would not impair the ability of such director to effectively serve on the Audit Committee. Any such determination must be disclosed in the annual Proxy Statement. None of our Audit Committee members serve on more than two other audit committees of public companies. Besides our Audit Committee, Mr. Dahlberg, Mr. Smith and Admiral Miller each simultaneously serves on the audit committee of one other public company.

The report of the Audit Committee is included under Item 2 on Proxy Card Ratification of Appointment of Independent Registered Public Accounting Firm at page 19.

Nominating and Governance Committee

The members of the Nominating and Governance Committee are:

Michael T. Smith, Chair

Roxanne S. Austin

Frank V. Cahouet

Charles Crocker

Simon M. Lorne

Paul D. Miller

Wesley W. von Schack

The Nominating and Governance Committee held four meetings in 2014.

The Nominating and Governance Committee undertakes to:

- Identify individuals qualified to become members of the Board of Directors and to make recommendations to the Board of Directors with respect to candidates for nomination for election at the next Annual Meeting of stockholders or at such other times when candidates surface or are proposed and, in connection therewith, consider suggestions submitted by our stockholders.

- Develop and recommend to the Board of Directors corporate governance guidelines.

- Determine and make recommendations to the Board of Directors with respect to the criteria to be used for selecting new members of the Board of Directors.

Oversee the annual process of evaluation of the performance of our Board of Directors and committees.

Make recommendations to the Board of Directors concerning the membership of committees of the Board and the chairpersons of the respective committees.

Make recommendations to the Board of Directors with respect to the remuneration paid and benefits provided to members of the Board in connection with their service on the Board or on its committees.

Administer our formal compensation programs for directors, including the administrative rules relating to non-employee director equity compensation under the Amended and Restated 2008 Incentive Award Plan.

Make recommendations to the Board of Directors concerning the composition, organization and operations of the Board of Directors and its committees, including the orientation of new members and the flow of information.

Evaluate Board and committee tenure policies, as well as policies covering the retirement or resignation of incumbent directors.

Evaluate proposals of stockholders intended to be presented at stockholder meetings.

Make recommendations to the Board of Directors as to whether to accept or reject a director resignation, or take other action, where a director fails to receive a majority vote as specified under the our Amended and Restated Bylaws and Corporate Governance Guidelines.

The charter of the Nominating and Governance Committee was last amended and restated on October 23, 2012. The members of the Nominating and Governance Committee are independent under the NYSE listing standards.

The Nominating and Governance Committee will consider stockholder recommendations for nominees for director. Any stockholders interested in suggesting a nominee should follow the procedures outlined in Other Information 2016 Annual Meeting and Stockholder Proposals at page 62. Stockholder recommendations for nominees will be given the same consideration as nominees for director from other sources.

The Nominating and Governance Committee utilizes a variety of methods for identifying and evaluating all nominees for directors. The Committee periodically assesses the appropriate size of the Board and whether vacancies on the Board are expected due to retirement, change in professional status or otherwise. Candidates may come to the attention of the Committee through current Board members, members of our management, stockholders and other persons. The Committee to date has not engaged a professional search firm. Candidates are evaluated at meetings of the Committee and may be considered at any point during the year.

As stated in the Corporate Governance Guidelines, nominees for director are to be selected on the basis of, among other criteria, experience, knowledge, skills, expertise, integrity, diversity, ability to make analytical inquiries, understanding of or familiarity with our business, products or markets or similar business, products or markets, and willingness to devote adequate time and effort to Board responsibilities. The Committee may establish additional criteria and is responsible for assessing the appropriate balance of criteria required of Board members. Although we do not have a written policy with respect to Board diversity, the Nominating and Governance Committee and the Board believe that a diverse board leads to improved Company performance by encouraging new ideas, expanding the knowledge base available to management and fostering a boardroom culture that promotes innovation and vigorous deliberation. Consequently, when evaluating potential nominees, the Committee considers individual characteristics that may bring diversity to the Board, including gender, race, national origin, age, professional background, unique skill sets and areas of expertise.

Personnel and Compensation Committee

The members of the Personnel and Compensation Committee are:

Charles Crocker, Chair

Roxanne S. Austin

Kenneth C. Dahlberg

Jane C. Sherburne (beginning January 1, 2015)

Wesley W. von Schack

The Personnel and Compensation Committee held six meetings and acted by consent two times in 2014. Ms. Bruch was a member of the Personnel and Compensation Committee prior to her resignation for health reasons on August 25, 2014.

Table of Contents

The Personnel and Compensation Committee s principal authority and responsibilities include:

- Make recommendations to the Board of Directors concerning executive management organization matters generally.

- In the area of compensation and benefits, make recommendations to the Board of Directors concerning employees who are also directors, review and approve the corporate goals and objectives relevant to the chief executive officer and other executive officer compensation, evaluate chief executive officer and other executive officer performance in light of those goals and objectives, and determine and approve all compensation of the chief executive officer and other executive officers based on this evaluation.

- Periodically, and when appropriate, review and approve the following as they affect the chief executive officer and executive officers: (a) any employment agreements and severance arrangements; (b) any change-in-control agreements and change-in-control provisions affecting any elements of compensation and benefits; and (c) any special or supplemental compensation and benefits for the chief executive officer and executive officers and individuals who formerly served as chief executive officer and executive officers, including supplemental retirement benefits and the perquisites provided to them during and after employment.

- Oversee the Company s compliance with the requirement under the NYSE rules that, with limited exceptions, require stockholder approval for equity compensation plans.

- Subject to such stockholder approval, or as otherwise required by applicable law, establish, amend and, where appropriate, terminate incentive compensation plans, equity-based plans, benefit plans, and other bonus arrangements for the Company; and pursuant to the terms of such plans, as may at the time be in effect, administer such plans and make appropriate interpretations and determinations and take such actions as shall be necessary or desirable thereunder, including approval of awards granted pursuant to such plans and repurchase of securities from terminated employees.

- Make recommendations to the Board of Directors concerning policy and procedures relating to employee benefits and employee benefit plans, including incentive compensation plans and equity based plans and applicable clawback provisions.

- Oversee our formal incentive compensation programs, including equity-based plans.

- Make recommendations to the Board of Directors concerning matters relating to stockholder votes on executive compensation and the frequency of those votes.

While reviewed annually, the charter of the Personnel and Compensation Committee was last amended and restated on December 17, 2013. The members of the Personnel and Compensation Committee are independent under the NYSE listing standards.

Our Chief Executive Officer works with the Personnel and Compensation Committee Chair, our Vice President of Human Resources and the Office of the Corporate Secretary in establishing the agenda for the Committee and makes compensation recommendations for the named executives (other than himself). The Personnel and Compensation Committee s Chair reports the committee s recommendations on executive compensation to the Board. The Personnel and Compensation Committee has the authority, under its charter, to obtain advice and assistance from internal or external legal, accounting or other advisors. The Personnel and Compensation Committee has the sole authority and resources to retain and terminate any compensation consultant to be used to assist in the evaluation of the Chief Executive Officer s or other executive officers compensation and has sole authority to approve the consultant s fees and other retention terms. As discussed below under Compensation Discussion and Analysis, the Committee retained Exequity LLP to assist the Committee in fulfilling its responsibilities in 2014. The Personnel and Compensation Committee may delegate its responsibility to control and manage the plan assets of our employee benefit plans. In addition, under the terms of

Table of Contents

our stock incentive plans, the Personnel and Compensation Committee may delegate its powers and authority under the stock incentive plan as it deems appropriate to a subcommittee and/or designated officers and, as discussed below under Compensation Discussion and Analysis, the Personnel and Compensation Committee has made a limited delegation of authority to grant stock options to our Chief Executive Officer pursuant to this authority.

The report of the Personnel and Compensation Committee is included under Executive and Director Compensation at page 45.

ITEM 2 ON PROXY CARD

RATIFICATION OF APPOINTMENT OF ERNST & YOUNG LLP

AS THE COMPANY S INDEPENDENT

REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has appointed Ernst & Young LLP as our independent registered public accounting firm for fiscal 2015. Ernst & Young LLP has served as our independent registered public accounting firm since Teledyne was spun-off as a public company on November 29, 1999. The Audit Committee believes that Ernst & Young LLP is knowledgeable about our operations and accounting practices and is well qualified to act in the capacity of independent registered public accounting firm. The appointment of Ernst & Young LLP as our independent registered public accounting firm for fiscal 2015 is subject to the continued approval of the Audit Committee.

Although the appointment of an independent registered public accounting firm is not required to be approved by the stockholders, the Audit Committee and the Board of Directors believe that stockholders should participate in such selection through ratification. The proposal to ratify the Audit Committee s appointment of Ernst & Young LLP will be approved by the stockholders if it receives the affirmative vote of a majority of the shares present in person or represented by proxy at the meeting and entitled to vote on the proposal. Unless otherwise instructed, the individuals named as proxies in the proxy card will vote each proxy received by them in favor of ratifying the selection of Ernst & Young LLP as our independent registered public accounting firm for fiscal year 2015. If you specifically abstain from voting on the proposal, your shares will not affect the outcome of the vote. Broker non-votes, if any, are included in determining the presence of a quorum at the Annual Meeting, but will not be counted as being entitled to vote on the proposal and will not affect the outcome of the vote. If the stockholders do not ratify the selection of Ernst & Young LLP, the Audit Committee will reconsider the appointment of an independent registered public accounting firm. Notwithstanding the ratification of Ernst & Young LLP as our independent auditors, the Audit Committee, in its discretion, may direct appointment of new independent auditors at any time during the year if the Audit Committee believes that such a change would be in the best interests of Teledyne and its stockholders. It is expected that representatives of Ernst & Young LLP will be present at the meeting and will have an opportunity to make a statement and respond to appropriate questions.

The Board of Directors Recommends

a Vote FOR Ratification of the Appointment

of Ernst & Young LLP as the

Company s Independent Registered Public Accounting Firm.

Table of Contents

Fees Billed by Independent Registered Public Accounting Firm

The following table sets forth fees billed by Ernst & Young LLP for professional services rendered for 2014 and 2013 (in thousands).

	2014	2013
Total Audit Fees(1)	$ 4,317.8	$ 3,011.4
Total Audit-Related Fees(2)	76.5	69.8
Tax Fees(3)	366.4	168.7
All Other Fees		
Total	$ 4,760.7	$ 3,249.9

(1) Aggregate fees billed for professional services rendered for the audit of our annual financial statements and internal control pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 and for the reviews of financial statements included in our quarterly reports on Form 10-Q and accounting consultations on matters reflected in the financial statements. The 2013 fees have been revised from $2,811.0 to $3,011.4 to report fees invoiced in 2014 that were related to the 2013 audit.

(2) Fees related to employee benefit plan audits and environmental financial assurances services.

(3) Tax fees related to U.S. Federal and State tax compliance services and tax advisory services for our foreign subsidiaries.

Audit Committee Pre-Approval Policies

Our Audit Committee has adopted policies relating to the rendering of services by external auditors. The policies require the approval of the Audit Committee prior to retaining any firm to perform any Audit Services. Audit Services include the services necessary to audit our consolidated financial statements for a specified fiscal year and the following audit and audit-related services: (a) Statement on Auditing Standards No. 71 quarterly review services; (b) regulatory and employee benefit plan financial statement audits; and (c) compliance and statutory attestation services for our subsidiaries. Subject to limited exceptions, the policies further provide that the Audit Committee must pre-approve the engagement of Ernst & Young LLP to provide any services other than Audit Services. The Chair of the Audit Committee may, however, pre-approve the engagement of Ernst & Young LLP for such non-audit services to the extent the fee is reasonably expected to be less than $150,000. If the fee for any non-audit services is reasonably expected to be $250,000 or more, we must seek at least one competing bid from another firm prior to engaging Ernst & Young LLP, unless there are exceptional circumstances or if it relates to the public offering of our securities. The policies prohibit us from engaging Ernst & Young LLP to perform any of the following non-audit services or other services that the Public Company Accounting Oversight Board determines by regulation to be prohibited: bookkeeping or other services related to accounting records or financial statements; financial information systems design and implementation; appraisal or valuation services, fairness opinions, or contribution-in-kind reports; actuarial services; internal auditing outsourcing services; management functions or human resources; broker or dealer, investment advisor, or investment banking services; individual tax services to executives roles that involve financial reporting responsibility; or legal services and expert services unrelated to the audit.

On a quarterly basis, Ernst & Young LLP reviews with the Audit Committee all audit, non-audit and tax services it provides to us. For 2014, all audit and non-audit services rendered by Ernst & Young LLP were pre-approved in accordance with our policies.

In making its recommendation to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the 2015 fiscal year, the Audit Committee considered whether the provision of non-audit services by Ernst & Young LLP is compatible with maintaining Ernst & Young LLP s independence.

Table of Contents

AUDIT COMMITTEE REPORT

The following report of the Audit Committee is included in accordance with SEC rules and regulations. It does not constitute soliciting material, is not deemed filed with the SEC and is not incorporated by reference into any of our filings under the Exchange Act.

Report of the Audit Committee

The following is the report of the Audit Committee with respect to the audited financial statements for the fiscal year ended December 28, 2014 (the Financial Statements) of Teledyne Technologies Incorporated and its consolidated subsidiaries (the Company).

The responsibilities of the Audit Committee are set forth in the Audit Committee Charter, as amended and restated as of December 15, 2009, which has been adopted by the Board of Directors. The Audit Committee is comprised of six directors. The Company s Board of Directors has determined that each of the members of the Audit Committee is independent in accordance with the applicable rules of the New York Stock Exchange. The Board of Directors has also determined that at least one director has financial management expertise under New York Stock Exchange listing standards and that Frank V. Cahouet is an audit committee financial expert within the meaning of the Securities and Exchange Commission regulations.

Management is responsible for the preparation, presentation and integrity of the Company s financial statements, the Company s internal controls and financial reporting process and the procedures designed to assure compliance with accounting standards and applicable laws and regulations. Ernst & Young LLP (Ernst & Young), the Company s independent registered public accounting firm, is responsible for performing an independent audit of the Company s Financial Statements and expressing an opinion as to their conformity with generally accepted accounting principles. The Audit Committee reviewed and discussed the Company s Financial Statements with management and Ernst & Young, and discussed with Ernst & Young the matters required to be discussed by Auditing Standard No. 16, Communications with Audit Committees, as adopted by the Public Company Accounting Oversight Board. The Audit Committee has received written disclosures and the letter from Ernst & Young required by applicable requirements of the Public Company Accounting Oversight Board regarding Ernst & Young s communication with the Audit Committee concerning independence and has discussed with Ernst & Young its independence.

The members of the Audit Committee are not professionally engaged in the practice of auditing or accounting and are not, and do not represent themselves to be, performing the functions of auditors or accountants. Members of the Audit Committee may rely without independent verification on the information provided to them and on the representations made by management and Ernst & Young. Accordingly, the Audit Committee s oversight does not provide an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or appropriate internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Audit Committee s considerations and discussions referred to above do not assure that the audit of the Company s financial statements has been carried out in accordance with generally accepted auditing standards, that the financial statements are presented in accordance with generally accepted accounting principles or that the Company s auditors are in fact independent .

Based on these reviews and discussions, the Audit Committee recommended to the Board of Directors that the Financial Statements be included in the Company s Annual Report on Form 10-K for the fiscal year ended December 28, 2014 for filing with the Securities and Exchange Commission.

Submitted by the Audit Committee of the Board of Directors:

Frank V. Cahouet, Chair

Kenneth C. Dahlberg

Simon M. Lorne

Paul D. Miller

Jane C. Sherburne

Michael T. Smith

February 17, 2015

21

Table of Contents

ITEM 3 ON PROXY CARD

ADVISORY RESOLUTION ON EXECUTIVE COMPENSATION

In accordance with Section 14A of the Securities Exchange Act of 1934, as amended (the Exchange Act), which was added under the Dodd-Frank Wall Street Reform and Consumer Protection Act, we are asking stockholders to approve an advisory resolution on the Company s executive compensation as reported in this Proxy Statement. As described below in the Compensation Discussion and Analysis section of this Proxy Statement, our executive compensation program is designed to attract and retain high quality executives and to align the interest of management with the interests of stockholders by rewarding both short- and long-term performance.

Teledyne performed strongly in 2014, including the following results. We believe that our performance-oriented executive compensation program played an important role in our 2014 growth and successes.

- Revenue and net income attributable to Teledyne increased 2.4% and 17.7%, respectively, over 2013 results.

- Diluted earnings per share in 2014 were a record $5.75, increasing 18.1% over 2013.

- Over the past 10 years diluted earnings per share have grown at a compounded annual growth rate of 16.6%.

- Our management team has successfully continued its work to reduce the Company s cost structure, complete acquisitions, including the acquisition of Bolt Technology Corporation in November 2014, and transform the Company s product portfolio into that of a high technology industrial company that is less dependent on U.S. Government business.

We urge stockholders to read the Compensation Discussion and Analysis below, which describes in more detail how our executive compensation policies and procedures operate and are designed to achieve our compensation objectives, as well as the Summary Compensation Table and related compensation tables and narratives which provide detailed information on the compensation of our named executives. The Personnel and Compensation Committee believes that the policies and procedures articulated in the Compensation Discussion and Analysis are effective in achieving our goals and that the compensation of our named executives reported in this Proxy Statement has supported and contributed to the Company s success.

We are asking stockholders to approve the following advisory resolution at the 2015 Annual Meeting:

RESOLVED, that the compensation paid to the Company s named executives during 2014, as disclosed pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, the Summary Compensation Table and the related compensation tables and narrative in the Proxy Statement for the Company s 2015 Annual Meeting of Stockholders, is hereby APPROVED, on an advisory basis.

This advisory resolution, commonly referred to as a say on pay resolution, is not binding on the Board of Directors or the Company. Although non-binding, the Board and the Personnel and Compensation Committee will carefully review and consider the voting results when evaluating our executive compensation program.

The proposal to adopt the advisory resolution set forth above will be approved by the stockholders if it receives the affirmative vote of a majority of the shares present in person or represented by proxy at the meeting and entitled to vote on the proposal. If you sign and return your proxy card, your shares will be voted (unless you indicate to the contrary) to approve the advisory resolution. If you specifically abstain from voting on the proposal, your shares will not affect the outcome of the vote.

Following the 2011 Annual Meeting of Stockholders, our Board of Directors voted to hold a vote on this advisory say on pay resolution on an annual basis.

The Board of Directors Recommends

a Vote FOR Approval of the Advisory Resolution

on Executive Compensation.

Table of Contents

OTHER BUSINESS

We know of no business that may be presented for consideration at the meeting other than the three action items indicated in the Notice of Annual Meeting. If other matters are properly presented at the meeting, including a proposal to adjourn or postpone the meeting, the persons designated as proxies in your proxy card may vote at their discretion.

Following adjournment of the formal business meeting, Dr. Robert Mehrabian, Chairman, President and Chief Executive Officer, will address the meeting and will hold a general discussion period during which the stockholders will have an opportunity to ask questions about our Company and businesses.

STOCK OWNERSHIP INFORMATION

Section 16(a) Beneficial Ownership Reporting Compliance

The rules of the SEC require that we disclose late filings of reports of stock ownership (and changes in stock ownership) by our directors and statutory insiders. To the best of our knowledge, all of the filings for our directors and statutory insiders were made on a timely basis in 2014.

Five Percent Owners of Common Stock

The following table sets forth the number of shares of our common stock owned beneficially by each person known to us to own beneficially more than five percent of our outstanding common stock. As of February 17, 2015, we had received notice that the individuals and entities listed in the following table are beneficial owners of five percent or more of our common stock. In general, beneficial ownership includes those shares that a person has the power to vote or transfer, and options to acquire common stock that are exercisable currently or within 60 days. As of February 17, 2015, we had 35,262,444 shares outstanding.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
BlackRock, Inc. 40 East 52nd Street, New York, NY 10022	3,277,608(1)	9.29%
Wellington Management Group LLP 280 Congress Street Boston, MA 02210	2,816,706(2)	7.99%
FMR LLC 245 Summer Street Boston, MA 02210	2,575,540(3)	7.30%
The Vanguard Group, Inc. 100 Vanguard Blvd Malvern, PA 19355	2,304,277(4)	6.53%
Singleton Group LLC 335 North Maple Drive, Suite 177 Beverly Hills, CA 90210	1,999,900(5)	5.67%

1. Based on an amendment to Schedule 13G filed with the SEC by BlackRock, Inc. on January 15, 2015, reporting that it has sole voting power with respect to 3,202,078 shares and beneficially owns and has sole dispositive power with respect to 3,277,608 shares.

Table of Contents

2. Based on a Schedule 13G filed with the SEC by Wellington Management Group LLP on February 12, 2015, reporting shared voting power with respect to 1,819,438 shares and shared dispositive power with respect to 2,816,706 shares.

3. Based on an amendment to Schedule 13G filed by FMR LLC with the SEC on February 13, 2015, reporting that it has sole voting power with respect to 169,545 shares and beneficially owns and has sole dispositive power with respect to 2,575,540 shares.

4. Based on an amendment to Schedule 13G filed with the SEC by The Vanguard Group, Inc. on February 10, 2015, reporting sole voting power with respect to 51,797 shares, shared dispositive power with respect to 48,597 shares and sole dispositive power with respect to 2,255,680 shares.

5. Based on an amendment to Schedule 13G filed with the SEC by Singleton Group LLC, jointly with William W. Singleton, Christina Singleton Mednick and Donald E. Rugg, on July 31, 2007. Mr. Singleton, Ms. Mednick and Mr. Rugg reported that they share voting and dispositive power with respect to 1,999,900 shares in their capacities as managers of Singleton Group LLC. Mr. Rugg reported that he owned an additional 45 shares of common stock directly, with respect to which he has sole voting and dispositive power.

Stock Ownership of Management

The following table shows, as of February 17, 2015, the number of shares of common stock beneficially owned by (i) our directors and executive officers named in the executive compensation tables, and (ii) our directors and Section 16 statutory officers as a group, including shares as to which a right to acquire ownership exists (for example, through the exercise of stock options) within the meaning of Rule 13d-3(d)(1) under the Exchange Act. Certain shares beneficially owned by our officers and directors may be held in accounts with third party brokerage firms.

Beneficial Owner	Number of Shares	Percent of Class
Robert Mehrabian	429,987(1)	1.18%
Susan L. Main	69,089(2)	*
Aldo Pichelli	140,743(3)	*
Rex D. Geveden	63,270(4)	*
Melanie S. Cibik	35,135(5)	*
Roxanne S. Austin	25,494(6)	*
Frank V. Cahouet	134,081(7)	*
Charles Crocker	74,302(8)	*
Kenneth C. Dahlberg	52,922(9)	*
Simon M. Lorne	91,638(10)	*
Paul D. Miller	61,196(11)	*
Jane C. Sherburne	91	*
Michael T. Smith	69,105(12)	*
Wesley W. von Schack	33,598(13)	*
All directors and executives as a group (17 persons)	1,359,946(14)	3.72%

* Less than one percent.

1. The amount includes 150,696 shares held by The Mehrabian Living Trust, of which Dr. Mehrabian and his wife are trustees. The amount also includes 33,999 shares of unvested restricted stock subject to forfeiture and 203,301 shares of our common stock underlying stock options exercisable within 60 days of February 17, 2015.

2. The amount also includes 5,720 shares of unvested restricted stock subject to forfeiture, and 39,328 shares of our common stock underlying stock options exercisable within 60 days of February 17, 2015. Includes 1,086 shares acquired under Teledyne s Employee Stock Purchase Plan based on information received as of February 4, 2015. Also includes 1,000 shares held jointly by Ms. Main s spouse.

3. The amount includes 57,063 shares held by the Pichelli Living Trust, of which Mr. Pichelli and his wife are trustees. The amount also includes 9,766 shares of unvested restricted stock subject to forfeiture and 70,327 shares of our common stock underlying stock options exercisable within 60 days of February 17, 2015. Also includes 729 shares held in Teledyne s 401(k) plan and 738 shares acquired under Teledyne s Employee Stock Purchase Plan based on information received as of February 4, 2015.

4. The amount includes 6,557 shares of unvested restricted stock or restricted stock units subject to forfeiture and 39,660 shares of our common stock underlying stock options exercisable within 60 days of February 17, 2015. Also includes 546 shares acquired under Teledyne s Employee Stock Purchase Plan and 1,767 shares held in Teledyne s 401(k) plan based on information received as of February 4, 2015.

5. The amount includes 4,104 shares of unvested restricted stock subject to forfeiture and 8,668 shares of our common stock underlying stock options exercisable within 60 days of February 17, 2015. Also includes 212 shares acquired under Teledyne s Employee Stock Purchase Plan and 2,255 shares held in Teledyne s 401(k) plan based on information received as of February 4, 2015.

6. The amount includes 2,000 shares held by the Thomas and Roxanne Austin Trust and 20,000 shares of our common stock underlying stock options exercisable within 60 days of February 17, 2015.

7. This amount includes 43,841 shares held by a revocable trust, of which Mellon Bank, N.A. is trustee. The amount also includes 10,646 shares of our common stock underlying stock options exercisable within 60 days of February 17, 2015.

8. The amount includes 13,513 shares held by The Crocker Revocable Trust, Charles Crocker, Trustee and 37,780 shares of our common stock underlying stock options exercisable within 60 days of February 17, 2015.

9. The amount includes 46,041 shares of our common stock underlying stock options exercisable within 60 days of February 17, 2015.

10. The amount includes 74,874 shares of our common stock underlying stock options exercisable within 60 days of February 17, 2015.

11. The amount includes 43,704 shares of our common stock underlying stock options exercisable within 60 days of February 17, 2015.

12. The amount includes 42,787 shares of our common stock underlying stock options exercisable within 60 days of February 17, 2015. The amount also includes 200 shares owned by Mr. Smith s wife, beneficial ownership of which is disclaimed.

13. The amount includes 24,000 shares of our common stock underlying stock options exercisable within 60 days of February 17, 2015.

14. This amount includes an aggregate of 705,281 shares of our common stock underlying stock options exercisable within 60 days of February 17, 2015, and 70,843 shares of restricted stock or restricted stock units subject to forfeiture. This amount also includes 200 shares owned by Mr. Smith s wife of which beneficial ownership is disclaimed. See also footnotes 1, 3, 6, 7 and 8 for the number of shares held jointly and in trusts. This amount includes shares beneficially held by three Section 16 executive officers not listed on the table since they are not named executives.

Phantom Shares. Prior to January 1, 2015, non-employee directors could elect to defer payment of up to 75% of their annual retainer fees and committee chair fees and 100% of their meeting fees under the Teledyne Technologies Incorporated Executive Deferred Compensation Plan (Deferred Compensation Plan). Non-employee directors could elect to have their deferred monies treated as though they are invested in our common stock (Teledyne Common Stock Phantom Fund). Deferrals to the Teledyne Common Stock Phantom Fund mirrored actual purchases of stock, but no actual stock is issued and the award is settled in cash. There are no voting or other stockholder rights associated with the Teledyne Common Stock Phantom Fund. As of February 17, 2015, the following directors had the following number of phantom shares of common stock under the Deferred Compensation Plan: Charles Crocker 451 phantom shares; Frank V. Cahouet 12,101 phantom shares; Simon Lorne 1,049 phantom shares; Paul D. Miller 3,607 phantom shares; and Michael T. Smith 781 phantom shares.

Table of Contents

EXECUTIVE AND DIRECTOR COMPENSATION

Compensation Discussion and Analysis

Executive Summary and 2014 Overview

Our Compensation Objectives and Programs:

Our objective with respect to executive compensation is to attract and retain executives of the highest quality and to align the interests of management with the interests of stockholders by rewarding both short- and long-term performance. The key components of our executive compensation program are reviewed annually for appropriateness and include a balanced mix of short- and long-term compensation and cash and equity compensation.

Our executive compensation program is performance-oriented and based on a mix of multiple metrics, financial targets and performance periods. Short-term cash compensation consists of competitive base salaries and the Annual Incentive Plan (AIP). The AIP is our annual performance-based cash bonus program that is designed to principally reward year-over-year profitable growth. Long-term compensation consists of stock options, performance-based restricted stock awards and a performance share program (PSP). Stock options vest over a three-year period and are intended to reward executives for absolute stock price appreciation. Performance-based restricted stock awards are intended to reward executives for total shareholder return relative to the Russell 2000 Index over a three-year performance period. The PSP is designed to reward executives for achieving a mix of both profitable long-term growth and total shareholder return relative to the Russell 2000 Index over a three-year performance period. In addition, the PSP also serves to reinforce long-term executive retention since payments under the PSP are made in three annual installments following the completion of the three-year performance cycle.

Compensation for senior executives at Teledyne is determined by the Personnel and Compensation Committee. The Personnel and Compensation Committee sets target amounts for overall compensation and specific compensation components and determines the mix of short- and long-term compensation in part by benchmarking Teledyne s pay against compensation at peer group companies. The Personnel and Compensation Committee receives advice and assistance in setting compensation from an independent compensation consultant.

At the Company s 2014 Annual Meeting of Stockholders held on April 23, 2014, the non-binding advisory vote on executive compensation passed with an approval rate of over 94%. The Personnel and Compensation Committee believes this level of stockholder support reflects a strong endorsement of our executive compensation policies and philosophy and as a result did not change its approach to executive compensation in 2014. The Personnel and Compensation Committee will continue to consider the outcome of the Company s say on pay votes when making future compensation decisions for the named executives.

Highlights of 2014 Performance:

Teledyne performed strongly in 2014, including the following results. We believe that our performance-oriented executive compensation program played an important role in our 2014 growth and successes.

- Revenue and net income attributable to Teledyne increased 2.4% and 17.7%, respectively, over 2013 results.

- Diluted earnings per share in 2014 were a record $5.75, increasing 18.1% over 2013.

- Over the past 10 years diluted earnings per share have grown at a compounded annual growth rate of 16.6%.

- Our management team has successfully continued its work to reduce the Company s cost structure, complete acquisitions, including the acquisition of Bolt Technology Corporation in November 2014, and transform the Company s product portfolio into that of a high technology industrial company that is less dependent on U.S. Government business.

Table of Contents

Our success in 2014 was reflected in Teledyne s stock price. Teledyne s stock price increased 13.2% in fiscal 2014, compared to a total shareholder return of 6.0% for the Russell 2000 Index. The graph below shows Teledyne s cumulative total stockholder return (i.e. price change plus reinvestment of dividends) on our common stock for the five fiscal years ending December 28, 2014, as compared to the Standard & Poor s 500 Composite Index, the Russell 2000 Index and the Standard & Poor s 1500 Industrials. The graph assumes $100 was invested on December 31, 2009. In accordance with the rules of the SEC, this presentation is not incorporated by reference into any of our registration statements under the Securities Act of 1933.

Summary of 2014 Executive Compensation

Teledyne s named executives for 2014 are:

- Robert Mehrabian, Chairman, President and Chief Executive Officer;
- Susan L. Main, Senior Vice President and Chief Financial Officer;
- Aldo Pichelli, Executive Vice President;
- Rex D. Geveden, Executive Vice President; and
- Melanie S. Cibik, Senior Vice President, General Counsel and Secretary

Teledyne s executive compensation in 2014 reflected the strong financial performance of the Company. As a result of the strong year-over-year performance in 2014 and the achievement by individual executives of their personal goals, AIP awards for 2014 received by named executives were on average 32% higher than the target amounts. Dr. Robert Mehrabian, Teledyne s Chairman, President and Chief Executive Officer, received an AIP award of $1,550,000, which was 39% higher than his target amount.

In 2013, the Personnel and Compensation Committee made a number of adjustments to the equity and long-term compensation of Dr. Mehrabian in order to better align his compensation with benchmark medians, and, as a result of those actions, Dr. Mehrabian s total compensation in 2014 approximated benchmark medians. The increase in the 2014 total compensation for Dr. Mehrabian as compared to 2013, as reflected in the Summary

Table of Contents

Compensation Table on page 46, was primarily driven by two factors. First, the change in the value of Dr. Mehrabian s pension increased sharply in 2014 over 2013 due to the adoption of a lower discount rate and a new mortality assumption, both of which are used to calculate the value of the pension. Second, the full amount of the 2012-2014 PSP award is included in 2014 compensation, per SEC disclosure rules that require performance-based awards payable in cash to be recognized in the year in which the performance criteria are satisfied. This is the case even though no payments of this PSP award were made in 2014 but instead will be made in three annual installments beginning in 2015. Further, while PSP awards typically are paid 50% in stock and 50% in cash, the 2012-2014 PSP award was denominated 100% in cash for the named executives due to a lack of available shares under our stockholder-approved incentive award plan at the time the award was established.

In May 2014, Mr. Geveden assumed responsibility as President of Teledyne DALSA, in addition to his continued leadership of Teledyne Digital Imaging and Engineered Systems segments, and as a result relocated to the headquarters of Teledyne DALSA in Waterloo, Ontario, Canada. In connection with this increase in responsibilities and agreement to relocate, Mr. Geveden s annual base salary was increased to $435,000 (from his 2014 beginning base salary of $410,000), the target percentage for his AIP award was increased from 60% to 80% of base salary (beginning in 2015), he was granted an option award to purchase 5,000 shares, and the percent of salary used to calculate future restricted stock awards was increased to 60% (up from 30% in 2013 and 45% from the start of 2014). He was also awarded a supplemental bonus of $93,300 in February 2015 in recognition of his increased responsibilities and relocation to Canada. As part of his move to Canada, Mr. Geveden is entitled to receive a number of relocation-related benefits, including tax equalization payments to compensate him for additional tax incurred as the result of the performance of his duties in Canada, which are detailed in the All Other Compensation column of the Summary Compensation Table beginning on page 46.

The target percentage for Ms. Main s 2014 AIP award increased from 60% to 75% of base salary and the percentage of base salary used to determine her restricted stock award increased from 30% to 45%. These actions were taken by the Personnel and Compensation Committee in October 2013 in order to better align her compensation with benchmark medians.

Stock options and performance-based restricted stock awards were made in 2014 to named executives, in amounts largely consistent with 2013 awards, except as described above. Stock options are generally granted on the date of our Annual Meeting.

Named executives received increases in base salary beginning January 1, 2014. Dr. Mehrabian received an increase of 2.2% and Messrs. Pichelli and Geveden each received increases of 2.5%. This compares with a general merit increase for company employees of 2.75%. As noted above, Mr. Geveden received a further increase in base salary in May 2014. As a result of promotions made in 2012, Ms. Main received an increase of 18% and Miss Cibik received an increase of 7.1% (no named executive officer received a base salary merit increase in 2013). Base salaries are generally reviewed and set by the Personnel and Compensation Committee in October of each year.

During the three-year period ended December 31, 2014, Teledyne s stock price growth was 114.9% of the growth in the Russell 2000 Index for the same period. As a result, in January 2015, participants in Teledyne s performance-based restricted stock program received 100% of the 2012 restricted stock award, which had a three-year performance period ended December 31, 2014.

Teledyne s 2012-2014 performance cycle under the PSP ended on December 28, 2014. In January 2015, the Personnel and Compensation Committee determined that 134.6% of the target performance for this performance cycle was met. A new PSP award is typically established once every three years. Pursuant to the proxy disclosure rules of the SEC, cash awards under our PSP are deemed earned in the last year of the three-year performance cycle, at the time when performance criteria are satisfied (which for this particular award is fiscal year 2014), even though payments are made to participants in three annual installments after the end of the performance cycle so long as the participants remain employed by Teledyne. Also, while PSP awards typically are paid 50% in stock and 50% in cash, the 2012-2014 PSP award was denominated 100% in cash for the named executives due to a lack of available shares under our stockholder-approved incentive award plan at the time the award was established. As a result, the full value of the 2012-2014 PSP award is included in the Summary Compensation Table as 2014 compensation under the column headed Non-Equity Incentive Plan Compensation, even though no payments took place in 2014 and the award will not be fully paid until 2017.

Commitment to Best Practices:

The Personnel and Compensation Committee periodically reviews its compensation policies and practices in light of best practices and makes appropriate adjustments when necessary. For example, in 2010, all of our currently employed named executives agreed to amend their change in control severance agreements to eliminate automatic single trigger vesting of stock options, excise tax gross-ups for excess parachute payments and to change the formula used to calculate severance payments.

Teledyne seeks to develop pay programs that are reflective of good corporate governance. Among other things:

- we do not guarantee bonuses or, outside of certain new hires, equity or option grants;
- we do not exercise discretionary upward adjustment to bonus awards for named executives;
- base salaries and other components of compensation are informed by external market conditions including peer group data approved by the Personnel and Compensation Committee, which consists entirely of independent directors;
- performance incentive awards are capped and there will be no payout if minimum performance goals are not achieved;
- executive perquisites that are generally not available to other employees are minimal and in the case of our Chief Executive Officer limited to a car allowance;
- we have never re-priced stock options;
- our insider trading policy prohibits the pledging or hedging of company stock by directors and executive officers;
- we implemented stock ownership guidelines for key executive officers and directors in 2008; and
- in February 2014 we adopted a formal policy related to the clawback of incentive compensation in the event of a material financial misstatement or in the event of fraud or criminal misconduct.

Personnel and Compensation Committee

The Personnel and Compensation Committee reviews and administers the compensation for the Chief Executive Officer and other members of senior management, including the named executives listed on the Summary Compensation Table beginning on page 46 of this Proxy Statement. In the case of the Chief Executive Officer, the compensation determination made by the Personnel and Compensation Committee is reviewed by the entire Board. The Personnel and Compensation Committee is composed exclusively of non-employee, independent directors. The Personnel and Compensation Committee retained the compensation consultants Exequity LLP to assist the Personnel and Compensation Committee in fulfilling its responsibilities in 2014. The services that Exequity LLP performed for Teledyne were related to executive and director compensation and were primarily in support of decision-making by the Personnel and Compensation Committee. No other services were provided by Exequity LLP for the Company. In January 2015, the Personnel and Compensation Committee conducted a conflict of interest assessment of Exequity LLP, and no conflicts of interest were identified resulting from retaining Exequity LLP during the fiscal year ended December 28, 2014. In reaching these conclusions the Personnel and Compensation Committee considered factors set forth in applicable rules promulgated by the SEC.

Table of Contents

The Personnel and Compensation Committee has a written charter that delineates its responsibilities, a full copy of which is posted on our website at www.teledyne.com under Corporate Information Governance . Among other duties, the charter states that the Personnel and Compensation Committee shall review and approve the corporate goals and objectives relevant to the Chief Executive Officer and other executive officer compensation, evaluate Chief Executive Officer and other executive officer performance in light of those goals and objectives, and determine and approve all compensation of the chief executive officer and other executive officers based on this evaluation. In determining the long-term incentive component of Chief Executive Officer compensation, the Personnel and Compensation Committee considers corporate performance and shareholder return relative to the Russell 2000 Index, the value of similar incentive awards to chief executive officers at comparable companies and the awards given to the Chief Executive Officer in past years. The charter also states that the Personnel and Compensation Committee will review and approve any employment agreements and severance arrangements, any change-in-control agreements and change-in-control provisions affecting any elements of compensation and benefits, and any special or supplemental compensation and benefits for the Chief Executive Officer and executive officers, including supplemental retirement benefits and the perquisites provided to them during and after employment.

Our Chief Executive Officer works with the Personnel and Compensation Committee Chair, our Vice President of Human Resources and the Office of the Corporate Secretary in establishing the agenda for the Personnel and Compensation Committee and makes compensation recommendations for the named executives (other than himself).

Peer Group Comparisons

Our peer group that we use for comparative purposes is intended to be representative of companies of similar size to us in the industries in which we compete, specifically instrumentation, digital imaging, aerospace and defense electronics and systems engineering. Such peer group is not used for the purposes of the performance graph included in the Executive Summary and 2014 Overview section above and in our Annual Report. In order to provide industry specific data for those jobs not matched to positions in the peer group, data from other published survey sources was used as additional reference, including the Aon Hewitt Total Compensation Survey.

Our peer group for 2014 compensation purposes was comprised of the following companies:

Actuant Corporation	Flir Systems, Inc.
Alliant Techsystems	IDEX Corporation
Ametek Inc.	ITT Corporation
Bruker Corporation	MOOG, Inc.
CACI International, Inc.	PerkinElmer, Inc.
Crane Co.	Teradyne Inc.
Curtiss-Wright Corporation	Woodward, Inc.
Esterline Technologies Corporation	Xylem, Inc.
Exelis, Inc.	

In October 2014, the Personnel and Compensation Committee added Actuant Corporation, Bruker Corporation, Exelis, Inc. and ITT Corporation to our peer group. The Personnel and Compensation Committee believes that adding these four companies creates a peer group that better reflects and the present scope and diversity of Teledyne s business and is of a sufficient size to better withstand industry consolidation and insulate results from outlier pay practices.

Our peer group contains companies having median annual revenues and market capitalizations of $2.6 billion and $4.0 billion, respectively. In 2014, Teledyne s annual revenues were approximately $2.4 billion and its market capitalization as of end of 2014 was approximately $3.7 billion. The Personnel and Compensation Committee also reviews data collected from a broader industry peer group consisting of 127 companies in order to understand what an executive with comparable responsibility to a Teledyne executive would earn in the

Table of Contents

broader industry. The companies in the general industry group have annual revenues of between $1.0 billion and $5.0 billion (with a median of $2.4 billion) and the general industry group excludes financial companies.

Determining the Amount and Mix of Compensation

Our compensation program is designed to balance our need to provide our executives with incentives to achieve our short-term and long-term performance goals with the need to pay competitive base salaries. In October of each year the Personnel and Compensation Committee, with assistance from Exequity LLP, reviews and compares each named executive s pay to various market data points for that named executive s position. For purposes of this review, the Personnel and Compensation Committee considers an executive s total annual compensation to be the sum of current year base salary, actual cash bonus paid in the current fiscal year, target bonus levels, the aggregate fair value of stock options granted during the fiscal year, the face value of performance-based restricted stock granted during the fiscal year and the target value of PSP awards, annualized over three years.

The Personnel and Compensation Committee is guided by market benchmark information in setting compensation levels and determining the mix of cash and non-cash compensation. It typically aims to set fixed pay at the 50th percentile and performance-based compensation at between the 50th percentile and 75th percentile, in recognition that we compete with much larger companies for executive-level talent and to further incentivize executives to achieve long-term performance goals. The Personnel and Compensation Committee will consider the amount of prior salary increases, stock option grants and performance-based restricted stock grants as a factor in determining compensation for the current period. The table below shows the targeted components of pay and total compensation in terms of percentage deviation from the peer group and general industry median for each of our named executives as presented to the Personnel and Compensation Committee in October 2014.

Robert Mehrabian:

	Peer Group Median	**General Industry Median**
Base salary	+7%	+1%
Target bonus	+23%	+12%
Target long-term compensation	+15%	-8%
Target total compensation	**+13%**	**-5%**

Susan L. Main:

	Peer Group Median	**General Industry Median**
Base salary	-8%	-11%
Target bonus	-12%	-11%
Target long-term compensation	-16%	-10%
Target total compensation	**-14%**	**-10%**

Aldo Pichelli:

	Peer Group Median	**General Industry Median**
Base salary	-15%	-8%
Target bonus	-12%	+1%
Target long-term compensation	+17%	+35%
Target total compensation	**-6%**	**+16%**

Table of Contents

Rex D. Geveden:

	Peer Group Median	General Industry Median
Base salary		+3%
Target bonus	+19%	+21%
Target long-term compensation	+80%	+132%
Target total compensation	**+44%**	**+56%**

Melanie S. Cibik:

	Peer Group Median	General Industry Median
Base salary	+10%	
Target bonus	-2%	-4%
Target long-term compensation	+43%	+56%
Target total compensation	**+20%**	**+23%**

The following allocation of compensation between base salary, bonus and estimated long-term compensation for our named executives was presented to and reviewed by the Personnel and Compensation Committee at the time that it approved 2014 compensation for named executives in October 2013:

	Robert Mehrabian	Susan L. Main	Aldo Pichelli	Rex D. Geveden	Melanie S. Cibik
Base salary	18%	27%	22%	22%	29%
Estimated target bonus	22%	21%	18%	18%	17%
Estimated long-term compensation	60%	52%	60%	60%	54%

Base Salary. Base salary for all management positions generally will be targeted at the industry/market median for comparable positions unless there are sound reasons, such as competitive factors for a particular executive s skill set, for varying significantly from industry medians. The Personnel and Compensation Committee s judgment will always be the guiding factor in base salary determinations, as well as any other compensation issue. The principal factors considered in decisions to adjust base salary are changes in compensation in our general industry and at our peer companies, our recent and projected financial performance, individual performance measured against pre-established goals and objectives, criticality of the executive s role, level of experience and market demand.

Commencing in 2013, base salaries are reviewed by the Personnel and Compensation Committee in October of each year and general merit increases, if any, take effect in January of the following year. Base salaries are also reviewed at the time of a promotion or other changes in responsibilities. On October 17, 2013, after consultation with Exequity, the Personnel and Compensation Committee approved base salaries of the named executives to be effective on January 1, 2014 as follows: Dr. Mehrabian: $930,000; Ms. Main: $425,000; Mr. Pichelli: $435,632; Mr. Geveden: $410,000; and Miss Cibik: $385,711. As noted above, Mr. Geveden s base salary was increased to $435,000 in May 2014.

Short-Term Incentives. AIP awards are cash bonuses based on the achievement of pre-defined performance measures, with up to 200% of the target award paid in the case of significant over-achievement and no bonus paid if operating performance is below 75% of target. The majority of the awards are based on our achievement of financial performance goals, with a smaller portion tied to the achievement of pre-established individual goals.

Table of Contents

The AIP award is expressed as a percentage of the participant s base salary as of the end of the plan year. The following schedule shows the award guidelines for the 2014 awards for named executives as a percentage of 2014 base salary:

	AIP Award as a Percent of Salary		
Participants	**Target**	**Maximum**	**Actual**
Robert Mehrabian	120%	240%	167%
Susan L. Main	75%	150%	107%
Aldo Pichelli	80%	160%	88%
Rex D. Geveden	60%	120%	64%
Melanie S. Cibik	60%	120%	80%

The target and maximum percentages were the same as in 2013, except that the target percentage for Ms. Main was increased from 60% to 75% in order to better align total compensation for those executives with benchmark medians. In addition, in February 2015, the Personnel and Compensation Committee authorized a supplemental bonus of $93,300 for Mr. Geveden in recognition of the increased responsibilities he assumed as President of Teledyne DALSA and his relocation to Canada in 2014. This supplemental bonus combined with Mr. Geveden s 2014 AIP award represented a total bonus equal to 86% of Mr. Geveden s 2014 base salary.

The AIP award is tied to the achievement of predetermined levels of operating profit, revenue, accounts receivable and inventory as a percentage of sales (ARIS) and the achievement of specific individual performance goals. We chose operating profit, revenue and ARIS as the components of the award because we believe these measures are key objective indicators of our year-over-year financial performance. The use of revenue and operating profit is designed to encourage profitable growth, while the use of ARIS is designed to promote operational efficiency. The AIP components are weighted as follows for corporate executives and business segment executives:

Corporate Officers Award Component	Weighting	Segment Executive Award Component	Weighting
Operating Profit	40%	Total Company Operating Profit	8%
Revenue	25%	Operating Profit at Business Segment	32%
ARIS	15%	Total Company Revenue	5%
Individual Performance Objectives	20%	Revenue at Business Segment	20%
Total	100%	ARIS (Total Company)	3%
		ARIS (Business Segment)	12%
		Individual Performance Objectives	20%
		Total	100%

33

Table of Contents

For purposes of the 2014 AIP, Messrs. Pichelli and Geveden are considered Segment Executives and the other named executives are Corporate Officers. Each of the performance measures allows for participants to earn between zero and 200% of the target at threshold and maximum performance levels, with the overall weighting emphasizing profitable growth that exceeds our business plan. Operating profit serves as an absolute threshold for the entire AIP: if operating profit is below 75% of target, no AIP award will be earned. Both the operating profit and revenue components are further weighted so that performance above the target is rewarded proportionally better than performance below the target, as more fully described below:

Operating Profit	If actual performance equals or exceeds 120% of target, the component is weighted by multiplying the percentage by 2 (200%). If actual performance is less than 75% of target, the component is given a weighting of 0%. To the extent actual performance falls between 75% and 120% of target, the multiplying factor is adjusted proportionally (a reduction of three percent for each percentage point that actual performance falls below 100% and an increase of five percent for each percentage point that actual performance is above 100%).
Revenue	If actual performance equals or exceeds 120% of target, the component is weighted by multiplying the percentage by 2 (200%). If actual performance is less than 67% of target, the component is given a weighting of 0%. To the extent actual performance falls between 67% and 120% of target, the multiplying factor is adjusted proportionally (a reduction of three percent for each percentage point that actual performance falls below 100% and an increase of five percent for each percentage point that actual performance is above 100%).
ARIS	If actual performance is equal to or greater than 105% of target the component is weighted by multiplying the percentage by 2 (200%). If actual performance is equal to or less than 95% of target, the component is given a weighting of 0%. To the extent actual performance falls between 95% and 105% of target, the multiplying factor is adjusted proportionally.
Individual Performance Objectives	Weighted proportionally on a scale of 0% to 200%.

The sum of the components, after being weighted for performance, is then multiplied by the executive s target AIP award as a percent of base annual salary to arrive at the executive s performance adjusted AIP percentage. To this amount the Personnel and Compensation Committee may make downward (but not upward) discretionary adjustments for named executives.

The tables below show operating profit, revenue and ARIS for 2014 as compared to target amounts by relevant business segment:

Operating profit (in millions):

	Target	Actual 2014 Results	2014 Results as a Percentage of Target
Teledyne (corporate)	$ 277.2	$ 298.2	107.6%
Instrumentation Segment	$ 186.8	$ 195.4	104.6%
Digital Imaging Segment	$ 46.4	$ 41.5	89.3%
Aerospace and Defense Electronics Segment	$ 97.0	$ 81.6	84.1%
Engineered Systems Segment	$ 23.5	$ 22.5	95.4%

34

Table of Contents

Revenue (in millions):

	Target	Actual 2014 Results	2014 Results as a Percentage of Target
Teledyne (corporate)	$ 2,435.3	$ 2,448.8	100.6%
Instrumentation Segment	$ 1,133.6	$ 1,156.4	102.0%
Digital Imaging Segment	$ 436.6	$ 409.3	93.8%
Aerospace and Defense Electronics Segment	$ 628.2	$ 608.9	96.9%
Engineered Systems Segment	$ 286.9	$ 274.2	95.6%

ARIS:

	Target	Actual 2014 Results	2014 Results as a Percentage of Target
Teledyne (corporate)	25.9%	25.3%	102.3%
Instrumentation Segment	24.6%	26.5%	92.3%
Digital Imaging Segment	24.4%	24.4%	100.0%
Aerospace and Defense Electronics Segment	27.1%	29.3%	91.9%
Engineered Systems Segment	10.1%	7.4%	126.7%

For purposes of determining operating profit and revenue for the AIP, we adjust the amounts for inter- company sales and certain one-time events and tax items. Operating profit excludes interest and corporate expense (except for corporate executives). Target amounts are derived from our business plan, which is presented to and approved by our Board in January of each year.

The following is an illustration of the AIP award calculation using the example of a hypothetical corporate executive with a salary of $300,000 and a target AIP award of 60%, using actual corporate performance results for 2014:

Performance Goal	Performance Goal as % of AIP Award	Actual Performance as a % of Target	Weighting of Performance Goal (multiplier)	Adjusted Performance Goal as a % of AIP Award
Operating Profit	40%	107.6%	137.9%	55.1% [40%*1.379]
Revenue	25%	100.6%	102.8%	25.7% [25%*1.028]
ARIS	15%	102.3%	145.8%	21.9% [15%*1.458]
Individual Objectives	20%	100%	100%	20% [20%*1.0]
Performance Weighing of AIP Award				122.7%

Assuming no discretionary adjustment by the Personnel and Compensation Committee, the hypothetical executive s performance adjusted AIP award would be 74% of salary (60% *122.7%), or $220,860.

Individual performance objectives typically consist of five or six goals for each named executive that are weighted in terms of importance. Some of the goals are corporate-level goals shared by all named executives and some goals are specific to individual executives. The goals are qualitative and quantitative in nature. Corporate-level goals included continued implementation of our three-year strategic plan and the achievement of specific revenue and earnings per share targets set forth in our operating plan. Individual-specific goals included achieving specified targets for cost reductions, free cash flow, warranty and rework costs and working capital, improving linear shipments, ensuring effective internal control procedures and compliance with laws and company policies, successfully implementing and consolidating financial planning systems, succession planning, and successfully integrating acquisitions. In 2014, achievement of no specific individual performance goal for named executives accounted for more 10% of a named executive s actual bonus.

35

The Personnel and Compensation Committee determined that Dr. Mehrabian achieved 180.9% of his individual performance objectives, based on his efforts in successfully implementing plans to achieve financial objectives, reducing the company s cost structure, consolidating business units, ensuring effective internal control structures and compliance with laws and company policies and his continued development of succession plans for senior leadership. Based on recommendations by the Chairman, President and Chief Executive Officer, the Committee determined that: Ms. Main achieved 200% of her individual performance objectives, in part due to her efforts to ensure effective internal controls and procedures and implementing new financial systems; Mr. Pichelli achieved 200% of his individual performance objectives, in part due to his outstanding segment leadership, his leadership role in consolidating facilities, improving operating margins and generating consistent and improved earnings and his efforts to integrate acquired companies; Mr. Geveden achieved 110% of his individual performance objectives, in part due to improvements resulting from his leadership role at the Teledyne DALSA group of businesses; and Miss Cibik achieved 150% of her individual performance objectives, due in part to overall excellence in her role and the quality of her legal advice.

It is the policy of the Personnel and Compensation Committee not to make discretionary adjustments in determining AIP awards for named executives and no such adjustments were made in determining actual 2014 Annual Incentive Plan awards.

For 2014, aggregate awards for all employees were paid from a pool equal to 5.7% of operating profit before payment of AIP awards, which is less than the 11% limit initially established by the Personnel and Compensation Committee when it approved the 2014 AIP goals. The 11% limit is a cap for the aggregate bonus amounts. It is not a pre-determined amount from which bonuses are to be distributed; instead it serves as a control to ensure that the actual aggregate AIP award is not unreasonable.

Long-Term Incentives. Long-term incentives consist of three components: stock options, a three-year PSP and a performance-based restricted stock award program. We believe that the incentives provided by our stock options, PSP award and performance-based restricted stock award programs are consistent with our compensation goals of employee retention, rewarding executives for long-term performance and rewarding executives for long-term increases in our stock price, both in absolute terms and as compared to the broader market. The terms of our 2014 Incentive Award Plan require that all full value awards, which include shares issued under our performance-based restricted stock award program and PSP, have vesting schedules of at least three years. We believe the three-year vesting or performance period of our long-term incentives is consistent with market practice and our overall compensation objectives.

Stock Options. Stock options generally are awarded annually to a broad group of key employees who are nominated by management to receive awards and whose awards the Personnel and Compensation Committee approves. In practice, the amount of the award generally depends on the employee s position. Stock options provide our employees with the opportunity to participate in shareholder value created as a result of stock price appreciation, and as a result further our objective of aligning the interests of management with the interests of our stockholders.

All stock options granted are non-qualified stock options, vest at a rate of one-third per year, with full vesting at the end of three years and have a term of ten years. A description of the terms under our incentive plans related to the treatment of stock options upon termination of employment can be found under the heading Potential Payments Upon Termination or a Change in Control on page 56 of this Proxy Statement.

In 2014, we awarded stock options for an aggregate of 565,508 shares of common stock to Teledyne employees, of which options to purchase 109,000 shares of common stock were awarded to named executives. For purposes of the Summary Compensation Table, stock options are valued at fair value calculated in accordance with FAS Topic 718 and the compensation expense associated with an executive s stock options as of the end of our 2014 fiscal year is reported in the Option Awards column.

Table of Contents

The following table represents actual stock option grants awarded to named executives in 2014 and 2013:

Participants	2014	2013
Robert Mehrabian	50,000	50,000
Susan L. Main	12,000	12,000
Aldo Pichelli	20,000	20,000
Rex D. Geveden	20,000	15,000
Melanie S. Cibik	12,000	12,000

The Personnel and Compensation Committee determines the size of awards for named executive officers (other than the Chief Executive Officer) based on the recommendation of the Chief Executive Officer. The size of the award for the Chief Executive Officer is made at the sole discretion of the Personnel and Compensation Committee. In determining the amount of options awarded to named executives in 2014, the Personnel and Compensation Committee used historical grants as a guideline and considered the market data provided by its independent consultant in making adjustments to historical grants. 2014 option awards to named executives were the same as 2013 option awards, except Mr. Geveden received an additional award of 5,000 options upon his assumption of additional responsibilities related to Teledyne DALSA in May 2014.

Performance Share Program. PSP awards are intended to reward executives to the extent we achieve specific pre-established financial performance goals and provide a greater long-term return to shareholders relative to a broader market index. The PSP provides grants of performance share units, which key officers and executives may earn if we meet specified performance objectives over a three-year period. Forty percent of the award is based on the achievement of specified levels of operating profit, 30% on the achievement of specified levels of revenue and 30% on the achievement of specified levels of return to shareholders. For the 2009-2011 and 2012-2014 cycles, the Russell 2000 Index is the benchmark for the specified return to shareholders component. No awards are made if the three-year aggregate operating profit is less than 75% of target, unless the Personnel and Compensation Committee determines otherwise. The percentages referred to above are then adjusted to reflect the extent to which actual performance is greater or less than the target. Performance above the target is rewarded proportionally better than performance below the target, as more fully described below:

Operating Profit	If actual performance equals or exceeds 120% of the target, the component is weighted by multiplying the percentage by 2 (200%). If actual performance is less than 75% of target, the component is given a weighting of 0%. To the extent actual performance falls between 75% and 120% of target, the multiplying factor is adjusted proportionally (a reduction of three percent for each percentage point that actual performance falls below 100% and an increase of five percent for each percentage point that actual performance is above 100%).
Revenue	If actual performance equals or exceeds 120% of the target, the component is weighted by multiplying the percentage by 2 (200%). If actual performance is less than 67% of target, the component is given a weighting of 0%. To the extent actual performance falls between 67% and 120% of target, the multiplying factor is adjusted proportionally (a reduction of three percent for each percentage point that actual performance falls below 100% and an increase of five percent for each percentage point that actual performance is above 100%).
Return to Shareholders	If actual performance equals or exceeds 120% of the target, the component is weighted by multiplying the percentage by 2 (200%). If actual performance is less than 67% of target, the component is given a weighting of 0%. To the extent actual performance falls between 67% and 120% of target, the multiplying factor is adjusted proportionally.

The sum of the components, after being weighted for performance, is then multiplied by the executive s target PSP opportunity percentage to arrive at the executive s performance adjusted PSP award, which is expressed as a percentage of base salary. The maximum award is 200% of the executive s target PSP opportunity

At June 30, 2009, approximately 82% of our homeowner policies-in-force were direct policies written by agents and approximately 18% were assumed from Citizens. At June 30, 2009, we had approximately 96,500 homeowner policyholders, an increase of 44% over June 30, 2008, and an increase of 20% over December 31, 2008. During the six months ended June 30, 2009, compared to the same period in 2008, our gross premiums written increased 35% primarily due to an increase in the number of net new policies, endorsements and coverage increases. We evaluate and manage our risk exposures on a continuous basis. As a result of that evaluation, we have taken measures which we anticipate will result in slower growth during the remainder of 2009 than we experienced during the first half of 2009.

As an insurance company, we are highly regulated. Effective September 15, 2009, our Protector homeowner program rate will increase an average of 12.7% for new and renewal business. Effective October 15, 2009, our Guardian dwelling fire program rate will increase 15% for new and renewal business. These rate increases were approved by the OIR.

Our insurance subsidiary is subject to assessments by Citizens, the Florida Hurricane Catastrophe Fund (FHCF) and the Florida Insurance Guaranty Association (FIGA). Citizens and the FHCF may levy assessments against all assessable insurers that write premiums in the State of Florida to cover operating deficiencies related to windstorm catastrophes. FIGA may levy assessments against all assessable insurers that write premiums in the State of Florida to cover the claims of policyholders of insurance companies in the State of Florida that have become insolvent. During the six months ended June 30, 2009, we did not have any new or additional assessments from the FHCF, FIGA or Citizens.

In the fourth quarter of 2007, the Florida legislature implemented a program designed to encourage homeowners to improve the ability of their insured residential structures to withstand hurricanes. Under this program, new construction must meet stronger building codes, and existing homes are eligible for an inspection program that allows homeowners to determine how their homes may be upgraded to mitigate storm damage. Homeowners will qualify for insurance premium discounts if their insured home meets the

UNITED INSURANCE HOLDINGS CORP.

Management s Discussion and Analysis of Financial Condition and Results of Operations

required standards. We implemented this program in the fourth quarter of 2007. Our underwriting and profitability models take into account the required premium credits, called wind mitigation credits, which ultimately reduce our average premium per policy when compared to prior years. The full effect of the wind mitigation credits as a decrease to gross premiums written was reflected in all of our policies-in-force at November 30, 2008. When we compare our average premium per policy during 2009 to the same period(s) during 2008, our average premium-in-force per policy is expected to be lower during 2009 as a result of these wind mitigation credits that were not reflected in our policyholder s premium through November 2008.

We have decided to discontinue offering our commercial product, called e-Z Pak Insurance, which was designed for auto-service professionals. The e-Z Pak Insurance product, which we refer to as our Garage line of business, represented approximately 4%, 3% and 2% of our gross premiums written for the fiscal years ended December 31, 2008, 2007 and 2006, respectively. We have entered into an agreement, effective April 1, 2009, granting the renewal rights on the Garage policies to another insurer (Acquiring Insurer) for a one-year period from June 1, 2009 to May 31, 2010. After May 31, 2009, we will not renew any of our Garage policies. As consideration for these renewal rights, we will receive a percentage of the gross net written premium (adjusted for certain items) for any of the Garage policies that are underwritten by the Acquiring Insurer or its affiliates for the one-year renewal period. There is no assurance that we will receive any amounts pursuant to the foregoing agreement, as our Garage policyholders may choose not to renew their Garage insurance with the Acquiring Insurer.

OPERATIONAL RISKS

The following is a description of the most significant risks facing us and how we attempt to mitigate those risks:

i) LEGAL/REGULATORY RISK the risk that changes in the regulatory environment in which we operate could create additional expenses not anticipated by us in pricing our products. That is, regulatory initiatives designed to reduce our profits, restrict underwriting practices and risk classifications, or mandate rate reductions and refunds could create costs for us beyond those recorded in our consolidated financial statements, as could new legal theories or insurance company insolvencies (through guaranty fund assessments). We attempt to mitigate this risk by monitoring proposed regulatory legislation and by assessing the impact of new laws. As we write business only in the State of Florida, we are more exposed to this risk than more geographically-balanced companies. At June 30, 2009, we were in compliance with all regulatory requirements.

ii) CREDIT RISK the risk that financial instruments, which potentially subject us to concentrations of credit risk, may decline in value or default, or the risk that reinsurers, to which we cede some of our business and from which receivables are recorded on the balance sheet, may not pay. We attempt to minimize this risk by adhering to a conservative investment strategy and entering into reinsurance agreements with financially sound reinsurers and obtaining letters of credit from reinsurers, if necessary.

iii) INTEREST RATE RISK the risk that interest rates will change and cause a decrease in the value of our investments. To the extent liabilities come due more quickly than assets mature, we might have to sell assets prior to maturity and potentially recognize a gain or a loss. Our management team, investment committee and outside investment manager monitor our investment portfolio in an effort to manage this risk.

iv)

GEOGRAPHIC, CATASTROPHIC AND/OR SEVERE EVENT RISK the risk associated with writing insurance policies that cover losses resulting from catastrophes and/or severe events, including hurricanes, tropical storms, tornadoes or other weather-related events in the State of Florida only. We attempt to mitigate our risk of these events through the use of reinsurance, forecast-modeling techniques and the monitoring of concentrations of risk, all of which are designed to protect our statutory surplus. We also attempt to mitigate our risk of these events through our underwriting, which diversifies our concentration of policies throughout the State of Florida.

Table of Contents

UNITED INSURANCE HOLDINGS CORP.

Management s Discussion and Analysis of Financial Condition and Results of Operations

CRITICAL ACCOUNTING POLICIES

Loss and Loss Adjustment Expenses Reserve

The most significant accounting estimate inherent in the preparation of our financial statements is our evaluation and determination of the liability for unpaid losses and loss adjustment expenses (LAE).

We establish reserves for unpaid losses and LAE which are comprised of reserves on known claims (case reserves) and reserves for incurred but not reported (IBNR) claims. These reserves represent our best estimate of our liability for losses and LAE and are based on the application of various actuarial reserve estimation techniques as well as the consideration of other material facts and circumstances known at the balance sheet date. The process of establishing our reserves is complex and necessarily imprecise, as it involves using judgment that is affected by many variables. Due to the uncertain nature of any projection of the future, including the estimation of loss and LAE reserves, the ultimate loss and LAE payments made by us may be different from the recorded reserves. Please see our Form 10-K/A for the year ended December 31, 2008 for a more complete discussion of our critical accounting policy for determining our loss and LAE reserves.

Reinsurance Recoverables

We cede a portion of our business to reinsurance companies. This allows us to be reimbursed for the portion of claims we pay that are ceded to reinsurance companies. We record reinsurance recoverable for the estimated paid and unpaid portion of losses and LAE we have ceded or will cede. We use the same estimation techniques to estimate the reinsurance recoverable for unpaid ceded claims as we use in establishing our loss and LAE reserves.

Reinsurance recoverable represents our best estimate of the amount of losses and LAE we will ultimately be able to recover from our reinsurers. The process of establishing our unpaid losses and LAE is complex and necessarily imprecise, as it involves using judgment that is affected by many variables in determining our loss and LAE estimates. Due to the uncertain nature of any projection of the future, including the estimation of loss and LAE reserves, the ultimate loss and LAE amounts we recover from our reinsurers may be different from the recorded reinsurance recoverable.

Fair Value of Investments

As discussed in Note 6 to our unaudited interim consolidated financial statements, certain of our investments are valued at fair value using a Level 2 input. A Level 2 input is a valuation based on observable inputs that are not quoted prices in an active market, but are, for example, quoted prices in an inactive market or quoted prices in active markets for similar, but not identical instruments. The fair value for our fixed maturities is largely determined by one of two primary pricing methods: third-party pricing service market prices or independent broker quotations. Prices from third-party pricing services are often unavailable for securities that are rarely traded or are traded only in privately-negotiated transactions and as a result, certain of our securities are priced via broker quotations. The fair value prices and/or quotations could vary from one third-party pricing service/broker to another. Any change in the estimated fair value of our securities could impact the amount of unrealized gains or losses we have recorded, which could change the amount we have recorded for our investments and comprehensive income on our unaudited interim Condensed Consolidated Balance Sheets.

UNITED INSURANCE HOLDINGS CORP.

Management s Discussion and Analysis of Financial Condition and Results of Operations

Deferred Policy Acquisition Costs

We defer commissions, premium taxes and certain other costs that vary with and are primarily related to the acquisition of insurance contracts. The policy acquisition costs are capitalized and charged to expense in proportion to premium revenue recognized. The method followed in computing deferred policy acquisition costs limits the amount of such deferred costs to their estimated realizable value, which gives effect to the premium to be earned, anticipated losses and settlement expenses and certain other costs expected to be incurred as the premium is earned.

Investment Portfolio Impairments

Quarterly, we perform an assessment of our investments to determine if any are other-than-temporarily impaired. An investment is impaired when the fair value of the investment declines to an amount that is lower than the cost or amortized cost of that investment. As part of our assessment process, we determine whether the impairment is temporary or other-than-temporary. We base our assessment on both quantitative criteria and qualitative information, considering a number of factors including, but not limited to: how long the security has been impaired; the amount of the impairment; whether, in the case of equity securities, we intend to hold the security for a period sufficient for us to recover our cost basis, or whether, in the case of debt securities, we intend to sell the security or it is more likely than not that we will have to sell the security before we recover the cost or amortized cost; the financial condition and near-term prospects of the issuer; whether the issuer is current on contractually-obligated interest and principal payments; key corporate events pertaining to the issuer and whether the market decline was affected by macroeconomic conditions. The assessment of whether an OTTI exists involves a high degree of subjectivity and judgment, and we base such assessment on the information available to us at a given point in time. Significant changes in the factors we consider when evaluating investments for impairment losses could result in a significant change in impairment losses reported in our consolidated financial statements if future events, information and the passage of time cause us to determine that a decline in value is other-than-temporary. Any change in the determination of whether the impairment is temporary or other-than-temporary would affect our financial statements.

If we determine that an impairment of a security is temporary, then we record the impairment as an unrealized loss in comprehensive income. If we determine that an impairment of equity securities is other-than-temporary, we permanently reduce the cost of the security to fair value and recognize an OTTI charge in operations. If a debt security is impaired and we either intend to sell the security or it is more likely than not that we will have to sell the security before we are able to recover its cost or amortized cost, we record the full amount of the impairment as an OTTI charge in operations. If we determine that an impairment of a debt security is other-than-temporary and we neither intend to sell the security nor it is more likely than not that we will have to sell the security before we are able to recover its cost or amortized cost, then we separate the impairment into (a) the amount of impairment related to the credit loss and (b) the amount of impairment related to all other factors. We recognize the amount of the impairment related to the credit loss as an OTTI charge in operations, and we recognize the amount of the OTTI related to all other factors in other comprehensive income.

Table of Contents

UNITED INSURANCE HOLDINGS CORP.

Management s Discussion and Analysis of Financial Condition and Results of Operations

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 3 to our unaudited interim condensed consolidated financial statements for a discussion of recent accounting pronouncements.

ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our accompanying unaudited interim condensed consolidated financial statements and related notes appearing elsewhere herein, and in conjunction with the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations included within our Form 10-K/A for the year ended December 31, 2008.

ANALYSIS OF FINANCIAL CONDITION (June 30, 2009 versus December 31, 2008)

Total Investments

All of our investments are held as available-for-sale. Our investments at June 30, 2009 and at December 31, 2008, consist mainly of high-quality money market instruments, securities of the United States government and its agencies and securities of high-quality corporate issuers. The corporate bonds we hold are mostly in the energy, consumer products, healthcare, technology and telecommunications industries. At June 30, 2009, approximately 79% of our fixed-maturity securities are U.S. Treasuries or corporate bonds rated A or better; the remaining 21% are corporate bonds rated BBB . Our equity holdings reflect a similar diversification, with most of our holdings being in the energy, healthcare, industrial and technology sectors.

As noted in the Critical Accounting Policies section above, we perform quarterly assessments of our investments to determine if any have incurred an OTTI. During the first quarter of 2009, we recorded an OTTI charge of $1.9 million, after determining that impairments related to certain of our equity securities were other-than-temporary. During 2008, we did not record an OTTI charge.

At June 30, 2009, we have recorded $0.1 million of net unrealized gains compared to $2.4 million of net unrealized losses at December 31, 2008. The change of $2.5 million of net unrealized losses to net unrealized gains is primarily due to the $1.9 million OTTI charge we recorded during the six months ended June 30, 2009 and a $0.6 million increase in net unrealized gains during the same period. The $0.1 million of net unrealized gains at June 30, 2009 is comprised of net unrealized gains of $1.0 million related to our fixed-maturity investment portfolio and $0.9 million of net unrealized losses related to our equities portfolio. Based upon our assessment of our investment portfolio using the criteria discussed above and given our current level of liquidity, for our fixed maturities, we neither intend to sell the investments nor is it more likely than not that we will be required to sell our fixed maturities that are impaired before recovery of our cost or amortized cost basis, and for our equity securities, we have the intent and the ability to hold these equity securities for a reasonable period of time sufficient for a forecasted recovery of fair value. Therefore, these decreases in fair values compared to carrying cost are currently viewed as being temporary.

Our fixed maturities and equity securities that are available-for-sale and carried at fair value represent 99.7% and 99.8% of our total investments at June 30, 2009 and December 31, 2008, respectively. Our other long-term investments of $0.3 million at June 30, 2009 and December 31, 2008, are invested in a certificate of deposit to secure the payment of our claims as required by the State of Florida. This certificate of deposit automatically renews every twelve months.

Table of Contents

UNITED INSURANCE HOLDINGS CORP.

Management s Discussion and Analysis of Financial Condition and Results of Operations

Reinsurance Payable

Effective June 1, 2009, we entered into the following reinsurance agreements:

Property Catastrophe Excess of Loss Reinsurance Agreement (Private Agreement) between United Property & Casualty Insurance Company and Various Reinsurance Companies

Florida Hurricane Catastrophe Fund Reimbursement Contract (FHCF Agreement) between United Property & Casualty Insurance Company and the State Board of Administration of Florida

Reinstatement Premium Protection Reinsurance Agreement (RPP Agreement) between United Property & Casualty Insurance Company and Various Reinsurance Companies and

Multi-Line Per Risk Excess of Loss Reinsurance Agreement (Multi-Line Agreement) between United Property & Casualty Insurance Company and Various Reinsurance Companies.

Our catastrophe reinsurance contracts provide us coverage against severe weather events. For our catastrophe reinsurance program, we entered into an excess-of-loss Private Agreement for a cost of $38.4 million, and we entered into the FHCF Agreement for an estimated cost of $29.5 million. The Private Agreement provides coverage against severe weather events such as hurricanes, tropical storms and tornadoes. The FHCF Agreement provides coverage only against storms that are designated as hurricanes by the National Hurricane Center.

The Private Agreement has four schedules; these schedules divide the coverage into layers. The coverage provided by one schedule picks up, or attaches , at the point where coverage under the previous schedule ends. The FHCF Agreement divides our coverage into three layers: the Limited-Apportionment Company (LAC) layer, the Mandatory layer and the Temporary-Increase-in-Coverage-Limit (TICL) layer.

Should a single hurricane occur, we have chosen to pay, or retain , the first $16.4 million of catastrophe losses before our reinsurance agreements provide coverage, plus an additional $9.1 million as detailed in the table below entitled Hurricane Event . Should a single, non-hurricane catastrophic event occur, our retained loss would be the first $26.4 million of catastrophe loss, plus an additional $9.1 million as detailed in the table below entitled Non-Hurricane Event . In the event that catastrophe losses exceed our reinsurance coverage, we would also retain any such catastrophe loss in excess of the coverage provided by our reinsurance contracts. The following tables summarize our catastrophe coverage for a single severe weather event:

	Hurricane Event			
	Retained Loss	FHCF Contract	Private Contract	Cumulative
Initial retained loss	$ 16.4	$	$	$ 16.4
FHCF LAC layer		10.0		26.4
Private layer 1	2.2		40.8	69.4

Private layer 2	2.5		47.9	119.8
FHCF Mandatory/Private layer 3		289.6	30.5	439.9
FHCF TICL/Private layer 4	4.4	67.4	4.4	516.1
	$ 25.5	$ 367.0	$ 123.6	

Table of Contents

UNITED INSURANCE HOLDINGS CORP.

Management s Discussion and Analysis of Financial Condition and Results of Operations

	Non-Hurricane Event		
	Retained Loss	Private Contract	Cumulative
Initial retained loss	$ 26.4	$	$ 26.4
Private layer 1	2.2	40.8	69.4
Private layer 2	2.5	47.9	119.8
Private layer 3		30.5	150.3
Private layer 4	4.4	4.4	159.1
	$ 35.5	$ 123.6	

Our FHCF Agreement allows for one reinstatement of the coverage provided by the LAC layer should losses resulting from one hurricane exhaust that coverage, while our Private Agreement allows for one reinstatement of coverage on all the private layers should losses resulting from one severe weather event exhaust that coverage. The FHCF Agreement does not provide for reinstatement of the coverage provided by the Mandatory or TICL layers. The FHCF LAC layer provides for reinstatement of coverage at no additional premium; however, our Private Agreement requires us to pay 100% additional premium to reinstate the coverage it provides. To protect us in the event a reinstatement of coverage under our private contract becomes necessary, we entered into the RPP Agreement for a cost of $15.2 million. The RPP Agreement reimburses us 100% of the amount of any reinstatement premium that we would have to pay to reinstate coverage on the first, second and fourth private layers, and it reimburses us 50% of the amount of any reinstatement premium that we would have to pay to reinstate coverage on the third private layer. We may have to pay as much as $3.0 million in reinstatement premium for the 50% of the third private layer not covered by our RPP Agreement. The private contract provides aggregate coverage, including reinstatements, of $247.2 million for all occurrences, while any single occurrence is limited to $123.6 million. The FHCF LAC layer provides aggregate coverage, including reinstatements, of $20.0 million for all occurrences, while any single occurrence is limited to $10.0 million.

The Multi-Line Agreement provides excess-of-loss coverage for losses arising out of property business up to $1.7 million in excess of $1.0 million per risk for a cost to us of $0.5 million. Should a loss recovery, or series of loss recoveries, exhaust the coverage provided under the contract for losses arising out of property business, one reinstatement of the $1.7 million of coverage limit is included at 50% additional premium. The contract, including reinstatements, provides aggregate coverage of $3.4 million for losses arising out of property business, while any single occurrence is limited to $1.7 million. The contract also provides coverage for losses arising out of a combination of property and casualty business up to $2.2 million in excess of $1.0 million per occurrence, subject to a maximum recovery on any one loss occurrence, regardless of the number of risks involved for property or the number or type of insureds for casualty, of $2.2 million.

Table of Contents

UNITED INSURANCE HOLDINGS CORP.

Management s Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS (Six Months Ended June 30, 2009 versus Six Months Ended June 30, 2008)

REVENUE

Gross Premiums Written

Gross premiums written increased $24.6 million, or 34.8%, to $95.2 million for the six months ended June 30, 2009, compared to $70.6 million for the six months ended June 30, 2008.

Our homeowner policies-in-force at June 30, 2009 increased to approximately 96,500 from approximately 66,900 at June 30, 2008. The net new policies-in-force, endorsements and coverage increases are the primary reason that our gross premiums written increased $24.6 million during the six months ended June 30, 2009, compared to the same period in 2008. Approximately $1.7 million of such increase relates to Citizens policies assumed under our 2008 Citizens Agreement. Another reason for our increase in higher gross premiums written is the increase to 91% in our renewal retention rate for the six months ended June 30, 2009, compared to 80% for the six months ended June 30, 2008.

Our average premium per policy for our policies-in-force decreased from $1,905 at June 30, 2008 to $1,650 at June 30, 2009. The decrease in our average premium per policy of $255 is primarily due to the wind mitigation credits that the Florida legislature required all property and casualty insurance companies to implement and which we implemented beginning in the fourth quarter of 2007. See the Company Overview section above for a more detailed discussion of wind mitigation credits.

As part of our exposure management process, we manage our growth. Also, our reinsurance program has limitations which require us to closely monitor our exposures, which we do on a regular basis. During the remainder of 2009, we anticipate our growth will be slower than it has been during the first half of 2009, due to our exposure management process.

Gross Premiums Ceded

Gross premiums ceded increased by $34.4 million or 64.2% to $88.0 million for the six months ended June 30, 2009, compared to $53.6 million for the six months ended June 30, 2008. An increase in the premium for our catastrophe reinsurance contracts, which renew on June 1st of each year, caused $33.8 million of the increase in gross premiums ceded. The premium paid on these contracts increased for several reasons. Primarily, our total insured value (TIV), which represents our total exposure on policies in force, increased by approximately 44% over last year; the FHCF increased the attachment point of its Mandatory layer, causing us to have to purchase more expensive private reinsurance; and the rate on line (ROL) for certain layers of our catastrophe contracts increased from the prior contract year.

Decrease in Net Unearned Premiums

Net unearned premiums decreased $36.2 million for the six months ended June 30, 2009, compared to a $23.2 million decrease for the six months ended June 30, 2008. The table below reflects the increase in gross unearned premiums and the increase in ceded unearned premiums that comprise the decrease in net unearned premiums for the six months ended June 30, 2009 and 2008:

Six Months Ended June 30.		
2009	2008	Change

		(In Millions)	
Increase in gross unearned premiums	$ (19.5)	$ (0.8)	$ (18.7)
Increase in ceded unearned premiums	55.7	24.0	31.7
Decrease in net unearned premiums	$ 36.2	$ 23.2	$ 13.0

29

Table of Contents

UNITED INSURANCE HOLDINGS CORP.

Management s Discussion and Analysis of Financial Condition and Results of Operations

The $18.7 million increase in gross unearned premiums relates primarily to the $24.6 million increase in gross premiums written as discussed in the Gross Premiums Written section above, which was offset by a $5.9 million increase in earned gross premiums during the six months ended June 30, 2009, compared to the same period in 2008.

The increase in ceded unearned premiums of $31.7 million is primarily due to the $34.4 million increase in the gross premiums ceded as discussed in the Gross Premiums Ceded section above, which was offset by a $2.7 million increase in earned premiums ceded during the six months ended June 30, 2009, compared to the same period in 2008.

Net Investment Income

Net investment income decreased $0.7 million, or 20.0%, to $2.7 million for the six months ended June 30, 2009, from $3.4 million for the same period during 2008. The lower net investment income during 2009 is primarily due to a reduction of $0.6 million in interest income earned on our cash and cash equivalents portfolio. The interest rates earned on our cash and cash equivalents portfolio were lower during the six months ended June 30, 2009, compared to the same period during 2008.

Net Realized Investment Gains

Net realized investment gains were $0.7 million and $0.9 million for the six months ended June 30, 2009 and 2008, respectively The table below depicts the net realized investment gains (losses) by investment category:

	Six Months Ended June 30, 2009 (In millions)	Six Months Ended June 30, 2008 (In millions)
Realized gains:		
Fixed maturities	$ 1.4	$ 1.1
Equity securities	0.1	
Total realized gains	$ 1.5	$ 1.1
Realized losses:		
Equity securities	$ (0.8)	$ (0.2)
Total realized losses	(0.8)	(0.2)
Total net realized investment gains	$ 0.7	$ 0.9

Other-than-temporary Impairments of Investments

During 2009, we performed an assessment of our investment portfolio using the criteria discussed above in the Total Investments section, and we determined that impairments of certain of our equity securities were OTTI; therefore, we recorded an OTTI charge of $1.9 million during the six months ended June 30, 2009. We recorded no OTTI charge during 2008.

Table of Contents

UNITED INSURANCE HOLDINGS CORP.

Management s Discussion and Analysis of Financial Condition and Results of Operations

Policy Assumption Bonus

During 2008, we received a bonus from Citizens for retaining policies we assumed during 2004 and 2005 for three years from the date of the policy assumption and for charging rates similar to Citizens at the date of the assumption. The policy assumption bonus, which includes interest income earned on the bonus amounts, was $4.3 million for the six months ended June 30, 2008. We did not assume any policies from Citizens during 2006 and 2007. The 2008 Citizens Agreement does not include a bonus provision; therefore, we will not receive any bonuses from Citizens during 2009.

EXPENSES

Loss and Loss Adjustment Expenses

Loss and loss adjustment expenses (LAE) represent actual payments made and changes in estimated future payments to be made to or on behalf of our policyholders, including expenses required to settle claims and losses, net of ceded loss and LAE. We revise our estimates based on the results of analysis of estimated future payments to be made. This process assumes that past experience, adjusted for the effects of current developments and anticipated trends, is an appropriate basis for predicting future events.

Loss and LAE were $18.7 million for the six months ended June 30, 2009, compared to $12.5 million for the six months ended June 30, 2008. During the six months ended June 30, 2009, compared to the same period of 2008, our claims paid were $3.6 million higher and we had a higher estimated case loss and LAE of $2.9 million. These increases were offset by $0.2 million increase in salvage and subrogation and we had lower estimated IBNR loss and LAE of $0.1 million.

The increase of $2.9 million in our estimated case loss and LAE primarily resulted from an increase in our risk exposure because of the increase in the number of homeowner policies-in-force from approximately 66,900 at June 30, 2008, to approximately 96,500 at June 30, 2009. The $3.6 million increase in our claims paid is primarily due to a few large, non-routine fire losses that occurred in the second quarter and an increase in roof-damage claims that resulted from afternoon thunderstorm activity that occurred in May and June 2009.

The largest factor that can impact our losses and LAE are catastrophes. Catastrophes are an inherent risk of the property and liability insurance business, especially in the State of Florida, which may contribute to material year-to-year fluctuations in our results of operations and financial position. During the six months ended June 30, 2009 and 2008, there were no catastrophes that occurred in Florida.

For our catastrophic losses, we purchase reinsurance to help manage our loss exposure. Our reinsurance requirements and costs are based on an amount equal to our estimated 100-year PML. We analyze our PML on a regular basis through the use of our licensed, in-house catastrophe-modeling software program. Our underwriting policies and procedures seek to minimize risk of loss while maximizing premium through the optimization of geographic exposure and the diversification of the portfolio with respect to our PML. The continued focus on disciplined underwriting and procedures to optimize our geographic exposure enables us to maximize our premiums with respect to the risks associated with those premiums.

For homeowner non-catastrophe claims, we maintain a very simple reinsurance structure consisting of only one contract, an excess-of-loss reinsurance contract.

There are inherent difficulties in estimating risks that impact the estimation of our ultimate losses and LAE for catastrophes. These difficulties also affect our ability to estimate reserves for catastrophes. The estimation of reserves related

31

UNITED INSURANCE HOLDINGS CORP.

Management s Discussion and Analysis of Financial Condition and Results of Operations

to hurricanes can be affected by the inability to access portions of the impacted areas, the complexity of factors contributing to the losses, the legal and regulatory uncertainties and the nature of the information available to establish the reserves. Complex factors include, but are not limited to, determining whether damage was caused by flooding versus wind; evaluating general liability and pollution exposures; estimating additional living expenses; the impact of demand surge; infrastructure disruption; fraud; the effect of mold damage; business interruption costs; and reinsurance collectability. The timing of the occurrence of a catastrophe, for instance at or near the end of a reporting period, can also affect the information available to us in estimating reserves for that reporting period. The estimated reserves related to catastrophes are adjusted as actual claims emerge and additional information becomes available. Because of the inherent uncertainty in estimating reserves for catastrophes, we cannot be sure our ultimate losses and LAE will not exceed our reserves. If and to the extent our reserves are inadequate, we will be required to increase our reserves for losses and LAE and incur a charge to earnings in the period during which our reserves are increased, which could materially and adversely affect our financial condition and results of operations.

In addition to catastrophes, the accumulation of losses from smaller weather-related events in a fiscal quarter or year could materially and adversely impact our results of operations in those periods. While we believe our underwriting strategies as well as our reinsurance program limit the severity of future losses, we continue to be exposed to catastrophic losses that may exceed the limits of our reinsurance program.

We continue to revise our estimates of the ultimate financial impact of past storms. The revisions to our estimates are based on our analysis of subsequent information received regarding various factors, including: (i) per claim information; (ii) our company and industry historical loss experience; (iii) legislative enactments, judicial decisions, legal developments in the awarding of damages, and (iv) trends in general economic conditions, including the effects of inflation. We revise our estimates based on the results of our analysis. This process assumes that past experience, adjusted for the effects of current developments and anticipated trends, is an appropriate basis for estimating the ultimate settlement of all claims. There is no precise method for subsequently evaluating the impact of any specific factor on the adequacy of the reserves, because the eventual redundancy or deficiency is affected by multiple factors. At each year end, we receive an actuary s opinion as to the adequacy of our reserves and during the quarters our actuary reviews our loss reserve amounts. Except for catastrophe claims, we believe the severity and frequency of claims will remain relatively stable for the foreseeable future.

Policy Acquisition Costs

Policy acquisition costs consist of agents commissions, policy administration fees and premium taxes; these costs increased $1.9 million, or 22.1%, to $10.5 million for the six months ended June 30, 2009 from $8.6 million for the six months ended June 30, 2008. The increase in policy acquisition costs was due to an increase in policy administration fees related to the increase in policies-in-force, an increase in our third-party administrator (TPA) costs and other items. We amortize our policy acquisition costs over the period during which we earn the related premiums. We anticipate that our policy acquisition costs will continue to increase during 2009 as a result of our increased gross written premium over the past year and the above factors.

During 2008, we contracted with Computer Sciences Corporation (CSC) to become our new TPA related to policy processing and to perform all of the services currently provided by our former TPA. On January 10, 2009, we began transitioning all of our in-force polices, excluding Garage policies, from our former TPA to CSC as each policy comes due. All new policies, excluding Garage and Flood policies, written during 2009 are and will be administered by CSC.

Table of Contents

UNITED INSURANCE HOLDINGS CORP.

Management s Discussion and Analysis of Financial Condition and Results of Operations

Salary and Wages

Salaries and wages increased $0.5 million to $2.0 million during the six months ended June 30, 2009, from $1.5 million for the same period of 2008. This increase is primarily comprised of an increase in bonuses and an increase in personnel costs related to adding additional employees.

Provision for Income Tax

During the six months ended June 30, 2009, our effective tax rate was 38.0% compared to 19.0% for the same period in 2008. The 19.0% increase in our effective tax rate (even though the income before taxes decreased $12.2 million from 2008 to 2009) is due to recording corporate taxes on all of our entities during the six months ended June 30, 2009; whereas, during the same period of 2008, only one of our subsidiaries, UPCIC, recorded a provision for income taxes as the other subsidiaries were treated as partnerships for income tax purposes. Since the other subsidiaries were partnership entities, no provision for income taxes was required to be recorded on our unaudited interim Condensed Consolidated Statements of Income for those entities. Effective October 1, 2008, all of our subsidiaries were required to record a provision for income taxes as all of our subsidiaries were part of a consolidated C-corporation return. For 2009, our combined tax rate is 38.6%.

See our unaudited interim Condensed Consolidated Statements of Income for a pro forma calculation of the estimated corporate income taxes, based upon a tax rate of 38.6%, we would have recorded for the six months ended June 30, 2008 if all of our subsidiaries had recorded corporate income tax provisions during that period of 2008.

NET INCOME

As a result of the foregoing, our net income for the six months ended June 30, 2009 was $6.0 million compared to net income of $17.7 million for the six months ended June 30, 2008.

RESULTS OF OPERATIONS (Three Months Ended June 30, 2009 versus Three Months Ended June 30, 2008)

REVENUE

Gross Premiums Written

Gross premiums written increased $16.6 million, or 40.1%, to $58.1 million for the second quarter of 2009, from $41.5 million for the second quarter of 2008.

Our homeowner policies-in-force at June 30, 2009 increased to approximately 96,500 from approximately 85,900 at March 31, 2009 and at June 30, 2008, increased to approximately 66,900 from approximately 62,600 at March 31, 2008. The net new policies-in-force, endorsements and coverage increases are the primary reason that our gross premiums written increased $16.6 million during the three months ended June 30, 2009, compared to the same period in 2008. Another reason for our increase in gross premiums written is the increase to 92% in our renewal retention rate for the three months ended June 30, 2009, compared to 78% for the three months ended June 30, 2008.

Table of Contents

UNITED INSURANCE HOLDINGS CORP.

Management s Discussion and Analysis of Financial Condition and Results of Operations

Gross Premiums Ceded

Gross premiums ceded increased by $33.9 million or 64.9% to $86.1 million for the second quarter of 2009, from $52.2 million for the second quarter of 2008. An increase in the premium for our catastrophe reinsurance contracts, which renew on June 1st of each year, caused $33.8 million of the increase in gross premiums ceded. The premium paid on these contracts increased for several reasons. Primarily, our TIV, which represents our total exposure on policies in force, increased by approximately 44% over last year; the FHCF increased the attachment point of its Mandatory layer, causing us to have to purchase more expensive private reinsurance; and the ROL for certain layers of our catastrophe contracts increased from the prior contract year.

Decrease in Net Unearned Premiums

Net unearned premiums decreased $49.8 million for the second quarter of 2009, compared to a $30.3 million decrease for the second quarter of 2008. The table below reflects the increase in gross unearned premiums and the increase in ceded unearned premiums that comprise the decrease in net unearned premiums for the second quarter of 2009 and 2008:

	Three Months Ended June 30, 2009	2008	Change
		(In Millions)	
Increase in gross unearned premiums	$ (18.8)	$ (7.2)	$ (11.6)
Increase in ceded unearned premiums	68.6	37.5	31.1
Decrease in Net Unearned Premiums	$ 49.8	$ 30.3	$ 19.5

The $11.6 million increase in gross unearned premiums relates primarily to the $16.6 million increase in gross premiums written as discussed in the Gross Premiums Written section above, which was offset by a $5.0 million increase in earned gross premiums during the second quarter of 2009, compared to the same period in 2008.

The increase in ceded unearned premiums of $31.1 million is primarily due to the $33.9 million increase in the gross premiums ceded as discussed in the Gross Premiums Ceded section above, which was offset by a $2.8 million increase in earned premiums ceded during the second quarter 2009, compared to the same period in 2008.

Net Investment Income

Net investment income decreased $0.4 million, or 25.2%, from $1.3 million for the second quarter of 2009, compared to $1.7 million for the same period during 2008. The lower net investment income during 2009 is primarily due to a reduction of $0.3 million in interest income on our cash and cash equivalents portfolio. The interest rates earned on our cash and cash equivalents portfolio were lower during the second quarter of 2009 compared to the same period during 2008.

Net Realized Investment Gains

Net realized investment gains were $1.5 million for the second quarter of 2009, compared to $1.0 million for the second quarter of 2008. These gains were primarily the result of selling various fixed maturity securities.

UNITED INSURANCE HOLDINGS CORP.

Management s Discussion and Analysis of Financial Condition and Results of Operations

During the second quarter of 2009, we performed an assessment of our investment portfolio using the criteria discussed above in the Total Investments section and we determined that the impairments pertaining to any of the securities in our investment portfolio were temporary. Therefore, no OTTI charge was recorded during the second quarter of 2009. Also, we recorded no OTTI charge during the second quarter of 2008.

The table below depicts the net realized investment gains (losses) by investment category:

	Three Months Ended June 30, 2009	2008
	(In millions)	
Realized gains:		
Fixed maturities	$ 1.4	$ 1.1
Equity securities	0.1	
Total realized gains	$ 1.5	$ 1.1
Realized losses:		
Equity securities	$	$ (0.1)
Total realized losses		(0.1)
Total net realized investment gains	$ 1.5	$ 1.0

Policy Assumption Bonus

During 2008, we received a bonus from Citizens for retaining policies we assumed during 2004 and 2005 for three years from the date of the policy assumption and for charging rates similar to Citizens at the date of the assumption. The policy assumption bonus, which includes interest income earned on the bonus amounts, was $1.4 million for the second quarter of 2008. We did not assume any policies from Citizens during 2006 and 2007. The 2008 Citizens Agreement does not include a bonus provision; therefore, we will not receive any bonuses from Citizens during 2009.

EXPENSES

Loss and Loss Adjustment Expenses

Loss and LAE represent actual payments made and changes in estimated future payments to be made to or on behalf of our policyholders, including expenses required to settle claims and losses, net of ceded loss and LAE. We revise our estimates based on the results of analysis of estimated future payments to be made. This process assumes that past experience, adjusted for the effects of current developments and anticipated trends, is an appropriate basis for predicting future events.

Loss and LAE were $11.5 million for the second quarter of 2009, compared to $5.3 million for the second quarter of 2008. During the second quarter of 2009, compared to the same period of 2008, our claims paid were $4.2 million higher, we had a higher estimated case loss and LAE of $1.4 million and we had higher estimated IBNR loss and LAE of $0.6 million.

The $1.4 million increase in our estimated case loss and LAE primarily resulted from an increase in our risk exposure related to the increase in the number of our homeowner policies-in-force during the second quarter of 2009 compared to the same period in 2008. The $4.2 million increase in our claims paid is primarily due to a few large, non-routine fire losses that occurred in the second quarter and an increase in roof-damage claims that resulted from afternoon thunderstorm activity that occurred in May and June 2009.

UNITED INSURANCE HOLDINGS CORP.

Management s Discussion and Analysis of Financial Condition and Results of Operations

Policy Acquisition Costs

Policy acquisition costs consist of agents commissions, policy administration fees and premium taxes; these costs increased $1.2 million, or 27.3%, to $5.6 million for the second quarter of 2009 compared to $4.4 million for the second quarter of 2008. The increase in policy acquisition costs was due to an increase in policy administration fees related to the increase in policies-in-force, an increase in our TPA costs and other items. We amortize our policy acquisition costs over the period during which we earn the related premiums. We anticipate that our policy acquisition costs will continue to increase during 2009 as a result of our increased gross written premium over the past year and the above factors.

Provision for Income Tax

During the second quarter of 2009 our effective tax rate was 38.5% compared to 19.0% for the same period in 2008. The 19.5% increase in our effective tax rate (even though the income before taxes decreased $6.7 million from 2008 to 2009) is due to recording corporate taxes on all of our entities during the second quarter of 2009; whereas, during the same period of 2008, only one of our subsidiaries, UPCIC, recorded a provision for income taxes as the other subsidiaries were treated as partnerships for income tax purposes. Since the other subsidiaries were partnership entities, no provision for income taxes was required to be recorded on our unaudited interim Condensed Consolidated Statements of Income for those entities. Effective October 1, 2008, all of our subsidiaries were required to record a provision for income taxes as all of our subsidiaries were part of a consolidated C-corporation return. For 2009, our combined tax rate is 38.6%.

See our unaudited interim Condensed Consolidated Statements of Income for a pro forma calculation of the estimated corporate income taxes, based upon a tax rate of 38.6%, we would have recorded for the three months ended June 30, 2008 if all of our subsidiaries had recorded corporate income tax provisions during that period of 2008.

NET INCOME

As a result of the foregoing, our net income for the second quarter of 2009 was $2.8 million compared to net income of $9.2 million for the second quarter of 2008.

LIQUIDITY AND CAPITAL RESOURCES

Our operations provided net operating cash flow of $38.1 million during the six months ended June 30, 2009, compared to $29.0 million during the same period in 2008. Our reconciliation of net operating cash flow is generally influenced by the collection of premiums in advance of paid losses, the quarterly payments of reinsurance premiums, the annual signing of new reinsurance contracts at the beginning of hurricane season, and the timing of our loss payments.

The $38.1 million of net cash provided by operating activities resulted primarily from cash inflows from our generation of $6.0 million of net income, a $12.9 million increase in reinsurance payable net of prepaid reinsurance premiums, a $19.5 million increase in unearned premiums and a $3.3 million increase in advance premiums, which were offset by a $5.0 million increase in premiums receivable.

Table of Contents

UNITED INSURANCE HOLDINGS CORP.

Management s Discussion and Analysis of Financial Condition and Results of Operations

During the second quarter of 2009, we recorded a premium payable of $83.6 million related to our 2009-2010 catastrophe reinsurance contracts. The $83.6 million is payable as follows: $20.3 million during the third quarter of 2009, $36.2 million during the fourth quarter of 2009 and $27.1 million by April 1, 2010.

Given that we insure property and casualty risks, a catastrophe like a hurricane or tropical storm that impacts any territory we insure may have an adverse impact on our liquidity and results of operations. Each year, we purchase reinsurance for hurricane catastrophes and non-hurricane catastrophes. We have entered into new catastrophe reinsurance contracts for the period of June 1, 2009 through May 31, 2010. Under these agreements, should a single hurricane occur, we retain the first $16.4 million of losses and LAE, before our reinsurance agreements provide coverage, plus an additional $9.1 million of losses in conjunction with the reinsurance coverage. Should a single, non-hurricane catastrophic event occur, we retain the first $26.4 million of losses and LAE, before our reinsurance agreements provide coverage, plus an additional $9.1 million of losses in conjunction with the reinsurance coverage. If a hurricane or non-hurricane catastrophe exceeds our reinsurance coverage, we will be liable for those losses and LAE as well. We are dependent on the creditworthiness of our reinsurers and if they do not reimburse us for the claims they reinsure, we are ultimately liable for those claims. For additional information regarding our reinsurance coverage, please see Note 7 of our unaudited interim consolidated financial statements included herein.

Our FHCF Agreement allows for one reinstatement of the coverage provided by the LAC layer should losses resulting from one hurricane exhaust that coverage, while our Private Agreement allows for one reinstatement of coverage on all the private layers should losses resulting from one severe weather event exhaust that coverage. The FHCF Agreement does not provide for reinstatement of the coverage provided by the Mandatory or TICL layers. The FHCF LAC layer provides for reinstatement of coverage at no additional premium; however, our Private Agreement requires us to pay 100% additional premium to reinstate the coverage it provides. To protect us in the event a reinstatement of coverage under our private contract becomes necessary, we entered into the RPP Agreement for a cost of $15.2 million. The RPP Agreement reimburses us 100% of the amount of any reinstatement premium that we would have to pay to reinstate coverage on the first, second and fourth private layers, and it reimburses us 50% of the amount of any reinstatement premium that we would have to pay to reinstate coverage on the third private layer. We may have to pay as much as $3.0 million in reinstatement premium for the 50% of the third private layer not covered by our RPP Agreement. The private contract provides aggregate coverage, including reinstatements, of $247.2 million for all occurrences, while any single occurrence is limited to $123.6 million. The FHCF LAC layer provides aggregate coverage, including reinstatements, of $20.0 million for all occurrences, while any single occurrence is limited to $10.0 million.

For the six months ended June 30, 2009, our net investing activities provided $31.7 million of cash in. Our available-for-sale investment portfolio is comprised of marketable securities. During the first six months of 2009, we generated $47.0 million of cash proceeds from the sale of investments available-for-sale and we used $15.2 million of cash for the purchase of investments available-for-sale.

During the six months ended June 30, 2009, we paid $0.5 million of dividends to our shareholders. Our Board of Directors declared an annual cash dividend of $0.15 per share dividend to be paid at $0.05 per share per quarter during 2009 beginning with the second quarter. We estimate that dividend payments will be $0.5 million per quarter in each of our next two fiscal quarters.

At June 30, 2009, the interest rates on our notes were 2.73% for the State Board of Administration of Florida (SBA) note, 3.32% for the CB&T note and 11% for the Merger Notes (defined below).

We are not required to pay any principal on our $20 million SBA note until October 1, 2009, at which time the Florida Insurance Commissioner will approve any principal payments and determine if such payment substantially impairs the financial condition of our insurance subsidiary.

UNITED INSURANCE HOLDINGS CORP.

Management s Discussion and Analysis of Financial Condition and Results of Operations

Upon OIR approval, the principal payments on our SBA note are expected to be $0.3 million per quarter, commencing in the fourth quarter of 2009. We pay interest on this loan quarterly. We made interest payments of $0.1 million and $0.2 million during the three- and six-month periods ended June 30, 2009, respectively. Our SBA note matures on September 30, 2026.

We are not required to pay any principal on our $4.3 million CB&T note until maturity on February 20, 2010. We pay interest on this note monthly. We made interest payments of less than $0.1 million and $0.1 million on the CB&T note during the three- and six-month periods ended June 30, 2009, respectively.

On September 29, 2008, just prior to the Merger, we issued five notes (Merger Notes) with a combined principal of $18.3 million. We must pay the entire principal outstanding on the Merger Notes on September 29, 2011, the maturity date. We are required to make semi-annual interest payments on the Merger Notes; such payments commenced on April 1, 2009, when we paid our first semi-annual interest payment of $1.0 million.

Our parent company has no business operations of its own. There are no restrictions on the payment of dividends to our holding company by our non-insurance company subsidiaries other than state corporate laws regarding solvency. As a result, our non-insurance company subsidiaries generate revenues, profits and net cash flows that are generally unrestricted as to their availability for payment of dividends to UIHC.

The ability of our parent company to meet its debt payment obligations and pay our general and administrative expenses is largely dependent on cash dividends or inter-company loans from United Insurance Management, L.C. (UIM). UIM s primary source of revenue, from which dividends to us have been paid, is the management fee and commissions UIM receives from our insurance company, UPCIC, pursuant to a management agreement in effect between those entities. UPCIC is subject to extensive regulation by the OIR, including approval of any management fee UPCIC pays to UIM for services rendered.

The primary sources of cash flow for UPCIC are gross premiums written, loss reimbursements by our reinsurers, investment income, and proceeds from the sale or maturity of investments. Funds are used by UPCIC for ceded premium payments to reinsurers, loss and LAE payments, other underwriting expenses, purchases of investments and fee payments to UIM. Any dividends paid to us by UPCIC are regulated by the OIR.

Our Amended and Restated Agreement and Plan of Merger (Merger Agreement), dated August 15, 2008, as amended on September 23, 2008, provides for potential additional consideration of up to $5 million to be paid to the former members of UIH. The Merger Agreement stipulates that we must pay those former UIH members $2.00 in cash for each dollar of UIHC s net income (as defined in the Merger Agreement) that exceeds $25 million at the end of either of the periods of (i) July 1, 2008 through June 30, 2009, or (ii) January 1, 2009 through December 31, 2009. Our net income did not exceed $25 million at the end of the period mentioned in (i) above; therefore, we are not yet required to pay any contingent consideration. We will pay any contingent consideration and record it as a dividend if we exceed $25 million of net income at the end of the period mentioned in (ii) above.

We believe we maintain sufficient liquidity to pay claims, operating expenses and other obligations as they come due. At June 30, 2009, we had $100.9 million of cash and cash equivalents. We monitor our expected loss and LAE payment needs and maintain a sufficient portion of our assets in cash and cash equivalents to enable us to fund our expected claim payments without having to sell longer-duration investments. As necessary, we adjust our short-term investments and cash and cash equivalent holdings to provide sufficient liquidity to respond to changes in the anticipated pattern of claims payments.

Our note agreement with CB&T contains certain covenants, including the maintenance of minimum specified financial ratios. We were in compliance with the terms of the covenants at June 30, 2009.

Table of Contents

UNITED INSURANCE HOLDINGS CORP.

Management s Discussion and Analysis of Financial Condition and Results of Operations

In relation to the Merger Notes, we agreed to certain covenants, the violation of which could cause an event of default. Among others, these covenants include refraining from incurring debt that would cause our aggregate debt balance to exceed $58.3 million, which includes the $18.3 million incurred under this note agreement and excludes the $20 million SBA note, and refraining from making any payments (e.g. dividends or distributions), whether in cash, securities or other property, that would reduce consolidated net worth, as defined in the note agreement, to less than $45 million. We were in compliance with the terms of the covenants at June 30, 2009; however, any dividends or distributions to our stockholders would be limited to an amount that would maintain a minimum consolidated net worth of $45 million.

The SBA note provides that the SBA may, among other things, declare its loan immediately due and payable for all defaults existing under the SBA note. In addition, the CB&T loan agreement provides that CB&T may elect to exercise its remedies described above for events of default under any loan agreements affecting us or our subsidiaries. We are not currently in default on these notes; however, if we were in default and either lender elected to pursue these default remedies, it would reduce our statutory surplus and could adversely affect our liquidity.

GAAP differs in some respects from reporting practices prescribed or permitted by the OIR. To retain our certificate of authority, Florida law requires UPCIC to maintain surplus as to policyholders equal to the greater of 10% of our total liabilities or $4 million. At June 30, 2009, UPCIC s surplus as to policyholders was $54.8 million and exceeded the minimum requirements. Florida law also requires UPCIC to adhere to prescribed premium-to-capital surplus ratios, with which we were in compliance at June 30, 2009.

Florida law permits an insurer to pay dividends or make distributions out of that part of statutory surplus derived from net operating profit and net realized capital gains. The law further provides calculations to determine the amount of dividends or distributions that can be made without the prior approval of the OIR and the amount of dividends or distributions that would require prior approval of the OIR. The NAIC risk-based capital (RBC) requirements may further restrict UPCIC s ability to pay dividends or make distributions if the amount of the intended dividend or distribution would cause statutory surplus to fall below minimum RBC requirements.

We believe our current capital resources, together with cash flow from operations, will be sufficient to meet currently anticipated working capital requirements. There can be no assurance, however, that such will be the case in the future.

OFF-BALANCE SHEET ARRANGEMENTS

At June 30, 2009, we have no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

See Note 10 of our unaudited interim condensed consolidated financial statements for a discussion of our related party transactions.

Table of Contents

UNITED INSURANCE HOLDINGS CORP.

Item 3: Quantitative and Qualitative Disclosures about Market Risk

Since we are a smaller reporting company, we are not required to furnish this information.

Item 4T: Controls and Procedures

(a) Under the supervision and with the participation of our management, including our principal executive officer, who is currently serving as our principal financial officer, we conducted an evaluation of the effectiveness of the design and operations of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this report. Based on our evaluation, our principal executive officer concluded that our disclosure controls and procedures were effective to ensure that the information required to be included in our SEC reports is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. These disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit is accumulated and communicated to management, including our principal executive officer and our principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

(b) During the fiscal quarter ended June 30, 2009, there was no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1: Legal Proceedings

We are involved in claims-related legal actions arising in the ordinary course of business. Amounts resulting from claims-related legal actions are accrued in Unpaid Losses and Loss Adjustment Expenses during the period an unfavorable outcome becomes probable and the amounts can be estimated. Revisions to our estimates are based on our analysis of subsequent information that we receive regarding various factors, including: (i) per claim information; (ii) company and industry historical loss experience; (iii) judicial decisions and legal developments in the awarding of damages; and (iv) trends in general economic conditions, including the effects of inflation. Management revises the estimates based on the results of their analysis. We are not currently involved in any material non-claims-related litigation.

Item 1A: Risk Factors

Since we are a smaller reporting company, we are not required to furnish this information.

Item 2: Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities. During the second quarter of 2009, there were no unregistered sales of equity securities.

Working Capital Restrictions and Other Limitations on Payment of Dividends. Under Florida law, a domestic insurer may not pay any dividend or distribute cash or other property to its stockholders except out of that part of its available and accumulated capital and surplus funds which is derived from realized net operating profits on its business and net realized capital gains. A Florida domestic insurer may not make dividend payments or distributions to stockholders without prior approval of the Florida OIR if the

Table of Contents

UNITED INSURANCE HOLDINGS CORP.

dividend or distribution would exceed the larger of (1) the lesser of (a) 10% of its capital surplus or (b) net income, not including realized capital gains, plus a two year carry forward, (2) 10% of capital surplus with dividends payable constrained to unassigned funds minus 25% of unrealized capital gains or (3) the lesser of (a) 10% of capital surplus or (b) net investment income plus a three-year carry forward with dividends payable constrained to unassigned funds minus 25% of unrealized capital gains. At June 30, 2009, we were in compliance with these requirements.

In relation to the Merger Notes, we agreed to certain covenants, the violation of which could cause an event of default. Among others, these covenants include refraining from incurring debt that would cause our aggregate debt balance to exceed $58.3 million, which includes the $18.3 million incurred under this note agreement and excludes the $20 million SBA note, and refraining from making any payments (e.g. dividends or distributions), whether in cash, securities or other property, that would reduce consolidated net worth, as defined in the note agreement, to less than $45 million. We were in compliance with the terms of the covenants at June 30, 2009; however, any dividends or distributions to our stockholders would be limited to an amount that would maintain a minimum consolidated net worth of $45 million.

Our loan agreement with CB&T contains certain covenants, including the maintenance of minimum specified financial ratios and balances. We were in compliance with the terms of the covenants at June 30, 2009.

Item 3: Defaults upon Senior Securities

None.

Item 4: Submission of Matters to a Vote of Security Holders

On July 21, 2009, at our annual meeting of shareholders, our shareholders elected Larry G. Swets, Jr. and James R. Zuhlke as Class A directors for a term of two years. Shareholders owning 7,149,745 shares voted in favor of electing Messrs. Swets and Zuhlke. Shareholders owning 3,419,187 shares abstained from voting for the directors and shareholders owning 5,000 shares withheld their vote. There were no other candidates for election.

In addition, our shareholders ratified the selection of McGladrey & Pullen LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009. At the meeting, shareholders owning 7,149,745 shares voted in favor of the ratification, 5,000 shares opposed it, and 3,419,187 shares abstained.

Item 5: Other Information

We would have otherwise disclosed the following information regarding our reinsurance contracts under Item 1.01, *Entry Into a Material Definitive Agreement*, in a Form 8-K.

Effective June 1, 2009, we entered into the following reinsurance agreements which are material definitive agreements:

Property Catastrophe Excess of Loss Reinsurance Agreement (Private Agreement) between United Property & Casualty Insurance Company and Various Reinsurance Companies

Florida Hurricane Catastrophe Fund Reimbursement Contract (FHCF Agreement) between United Property & Casualty Insurance Company and the State Board of Administration of Florida

41

UNITED INSURANCE HOLDINGS CORP.

Reinstatement Premium Protection Reinsurance Agreement (RPP Agreement) between United Property & Casualty Insurance Company and Various Reinsurance Companies and

Multi-Line Per Risk Excess of Loss Reinsurance Agreement (Multi-Line Agreement) between United Property & Casualty Insurance Company and Various Reinsurance Companies.

Our catastrophe reinsurance contracts provide us coverage against severe weather events. For our catastrophe reinsurance program, we entered into an excess-of-loss Private Agreement for a cost of $38.4 million, and we entered into the FHCF Agreement for an estimated cost of $29.5 million. The Private Agreement provides coverage against severe weather events such as hurricanes, tropical storms and tornadoes. The FHCF Agreement provides coverage only against storms that are designated as hurricanes by the National Hurricane Center.

The Private Agreement has four schedules; these schedules divide the coverage into layers. The coverage provided by one schedule picks up, or attaches , at the point where coverage under the previous schedule ends. The FHCF Agreement divides our coverage into three layers: the Limited-Apportionment Company (LAC) layer, the Mandatory layer and the Temporary-Increase-in-Coverage-Limit (TICL) layer.

Should a single hurricane occur, we have chosen to pay, or retain , the first $16.4 million of catastrophe losses before our reinsurance agreements provide coverage, plus an additional $9.1 million as detailed in the table below entitled Hurricane Event . Should a single, non-hurricane catastrophic event occur, our retained loss would be the first $26.4 million of catastrophe loss, plus an additional $9.1 million as detailed in the table below entitled Non-Hurricane Event . In the event that catastrophe losses exceed our reinsurance coverage, we would also retain any such catastrophe loss in excess of the coverage provided by our reinsurance contracts. The following tables summarize our catastrophe coverage for a single severe weather event:

	Hurricane Event			
	Retained Loss	FHCF Contract	Private Contract	Cumulative
Initial retained loss	$ 16.4	$	$	$ 16.4
FHCF LAC layer		10.0		26.4
Private layer 1	2.2		40.8	69.4
Private layer 2	2.5		47.9	119.8
FHCF Mandatory/Private layer 3		289.6	30.5	439.9
FHCF TICL/Private layer 4	4.4	67.4	4.4	516.1
	$ 25.5	$ 367.0	$ 123.6	

Table of Contents

UNITED INSURANCE HOLDINGS CORP.

	Non-Hurricane Event		
	Retained Loss	Private Contract	Cumulative
Initial retained loss	$ 26.4	$	$ 26.4
Private layer 1	2.2	40.8	69.4
Private layer 2	2.5	47.9	119.8
Private layer 3		30.5	150.3
Private layer 4	4.4	4.4	159.1
	$ 35.5	$ 123.6	

Our FHCF Agreement allows for one reinstatement of the coverage provided by the LAC layer should losses resulting from one hurricane exhaust that coverage, while our Private Agreement allows for one reinstatement of coverage on all the private layers should losses resulting from one severe weather event exhaust that coverage. The FHCF Agreement does not provide for reinstatement of the coverage provided by the Mandatory or TICL layers. The FHCF LAC layer provides for reinstatement of coverage at no additional premium; however, our Private Agreement requires us to pay 100% additional premium to reinstate the coverage it provides. To protect us in the event a reinstatement of coverage under our private contract becomes necessary, we entered into the RPP Agreement for a cost of $15.2 million. The RPP Agreement reimburses us 100% of the amount of any reinstatement premium that we would have to pay to reinstate coverage on the first, second and fourth private layers, and it reimburses us 50% of the amount of any reinstatement premium that we would have to pay to reinstate coverage on the third private layer. We may have to pay as much as $3.0 million in reinstatement premium for the 50% of the third private layer not covered by our RPP Agreement. The private contract provides aggregate coverage, including reinstatements, of $247.2 million for all occurrences, while any single occurrence is limited to $123.6 million. The FHCF LAC layer provides aggregate coverage, including reinstatements, of $20.0 million for all occurrences, while any single occurrence is limited to $10.0 million.

The Multi-Line Agreement provides excess-of-loss coverage for losses arising out of property business up to $1.7 million in excess of $1.0 million per risk for a cost to us of $0.5 million. Should a loss recovery, or series of loss recoveries, exhaust the coverage provided under the contract for losses arising out of property business, one reinstatement of the $1.7 million of coverage limit is included at 50% additional premium. The contract, including reinstatements, provides aggregate coverage of $3.4 million for losses arising out of property business, while any single occurrence is limited to $1.7 million. The contract also provides coverage for losses arising out of a combination of property and casualty business up to $2.2 million in excess of $1.0 million per occurrence, subject to a maximum recovery on any one loss occurrence, regardless of the number of risks involved for property or the number or type of insureds for casualty, of $2.2 million.

Table of Contents

UNITED INSURANCE HOLDINGS CORP.

Item 6: Exhibits

10.1 Form of Property Catastrophe Excess of Loss Reinsurance Agreement between United Property & Casualty Insurance Company and Various Reinsurance Companies, effective June 1, 2009.

10.2 Form of the Florida Hurricane Catastrophe Fund Reimbursement Contract between United Property & Casualty Insurance Company and the State Board of Administration of Florida, effective June 1, 2009 and including Addenda 1, 2, 4 and 5.

10.3 Form of Multi-Line Per Risk Excess of Loss Reinsurance Agreement between United Property & Casualty Insurance Company and Various Reinsurance Companies, effective June 1, 2009.

10.4 Form of Reinstatement Premium Protection Reinsurance Agreement between United Property & Casualty Insurance Company and Various Reinsurance Companies, effective June 1, 2009.

31.1 Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act.

32.1 Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act.

SIGNATURES

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

UNITED INSURANCE HOLDINGS CORP.

By: */s/ Donald J. Cronin*

August 13, 2009

Donald J. Cronin, President and Chief Executive Officer

(Principal Executive Officer, Principal Financial Officer and duly authorized officer)

44