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

**FORM 10-Q**

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
for the quarterly period ended December 31, 2011.

**Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number 001-32833

**TransDigm Group Incorporated**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other Jurisdiction of incorporation or organization)

**41-2101738**

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

**1301 East 9<sup>th</sup> Street, Suite 3000, Cleveland, Ohio**  
(Address of principal executive offices)

**44114**  
(Zip Code)

**(216) 706-2960**

(Registrants' telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report.)

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

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

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

LARGE ACCELERATED FILER

ACCELERATED FILER

NON-ACCELERATED FILER

SMALLER REPORTING COMPANY

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

The number of shares outstanding of TransDigm Group Incorporated's common stock, par value \$.01 per share, was 50,656,631 as of January 27, 2012.

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**TRANSDIGM GROUP INCORPORATED**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(Amounts in thousands, except share amounts)**  
**(Unaudited)**

	December 31, 2011	September 30, 2011
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 359,900	\$ 376,183
Trade accounts receivable - Net	174,698	189,293
Inventories	274,173	265,317
Deferred income taxes	25,100	30,844
Prepaid expenses and other	6,170	8,655
Total current assets	<u>840,041</u>	<u>870,292</u>
PROPERTY, PLANT AND EQUIPMENT - Net	149,822	150,800
GOODWILL	2,619,838	2,595,747
TRADEMARKS AND TRADE NAMES	351,656	344,942
OTHER INTANGIBLE ASSETS - Net	518,197	483,424
DEBT ISSUE COSTS - Net	56,426	59,007
OTHER	9,356	9,424
<b>TOTAL ASSETS</b>	<b><u>\$4,545,336</u></b>	<b><u>\$ 4,513,636</u></b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of long-term debt	\$ 15,500	\$ 15,500
Accounts payable	48,213	62,110
Accrued liabilities	76,775	120,312
Income taxes payable	24,246	8,937
Total current liabilities	<u>164,734</u>	<u>206,859</u>
LONG-TERM DEBT	3,119,000	3,122,875
DEFERRED INCOME TAXES	313,600	310,451
OTHER NON-CURRENT LIABILITIES	60,934	62,502
Total liabilities	<u>3,658,268</u>	<u>3,702,687</u>
<b>STOCKHOLDERS' EQUITY:</b>		
Common stock - \$.01 par value; authorized 224,400,000 shares; issued 51,110,987 and 50,829,276 at December 31, 2011 and September 30, 2011, respectively	511	508
Additional paid-in capital	480,898	464,700
Retained earnings	429,365	364,260
Accumulated other comprehensive loss	(7,618)	(3,277)
Treasury stock, at cost - 505,400 shares at December 31, 2011 and 494,100 shares at September 30, 2011	<u>(16,088)</u>	<u>(15,242)</u>
Total stockholders' equity	<u>887,068</u>	<u>810,949</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b><u>\$4,545,336</u></b>	<b><u>\$ 4,513,636</u></b>

See notes to condensed consolidated financial statements.

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**TRANSDIGM GROUP INCORPORATED**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE THIRTEEN WEEK PERIODS ENDED**  
**DECEMBER 31, 2011 AND JANUARY 1, 2011**  
**(Amounts in thousands, except per share amounts)**  
**(Unaudited)**

	Thirteen Week Periods Ended	
	December 31, 2011	January 1, 2011
NET SALES	\$ 352,473	\$ 233,552
COST OF SALES	152,918	106,406
GROSS PROFIT	199,555	127,146
SELLING AND ADMINISTRATIVE EXPENSES	41,850	30,520
AMORTIZATION OF INTANGIBLE ASSETS	12,439	4,277
INCOME FROM OPERATIONS	145,266	92,349
INTEREST EXPENSE—Net	49,061	32,556
REFINANCING COSTS	—	70,730
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	96,205	(10,937)
INCOME TAX PROVISION (BENEFIT)	31,100	(3,784)
INCOME (LOSS) FROM CONTINUING OPERATIONS	65,105	(7,153)
LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX	—	(205)
NET INCOME (LOSS)	\$ 65,105	\$ (7,358)
NET INCOME (LOSS) APPLICABLE TO COMMON STOCK	\$ 61,806	\$ (10,169)
Net earnings (loss) per share—see Note 5:		
Net earnings (loss) per share from continuing operations— basic and diluted	\$ 1.15	\$ (0.19)
Net loss per share from discontinued operations— basic and diluted	—	—
Net earnings (loss) per share	\$ 1.15	\$ (0.19)
Weighted-average shares outstanding:		
Basic and diluted	53,882	53,328

See notes to condensed consolidated financial statements.

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**TRANSDIGM GROUP INCORPORATED**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE THIRTEEN WEEK PERIOD ENDED DECEMBER 31, 2011**  
**(Amounts in thousands, except share amounts)**  
**(Unaudited)**

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Treasury Stock</u>		<u>Total</u>
	<u>Number of Shares</u>	<u>Par Value</u>				<u>Number of Shares</u>	<u>Value</u>	
BALANCE, OCTOBER 1, 2011	50,829,276	\$508	\$464,700	\$364,260	\$ (3,277)	(494,100)	\$(15,242)	\$810,949
Compensation expense recognized for employee stock options	—	—	3,648	—	—	—	—	3,648
Excess tax benefits related to share-based payment arrangements	—	—	9,050	—	—	—	—	9,050
Exercise of employee stock options	281,711	3	3,500	—	—	—	—	3,503
Treasury stock purchased	—	—	—	—	—	(11,300)	(846)	(846)
Comprehensive income (loss):								
Net income	—	—	—	65,105	—	—	—	65,105
Interest rate swaps, net of tax	—	—	—	—	(700)	—	—	(700)
Foreign currency translation adjustments	—	—	—	—	(3,641)	—	—	(3,641)
Comprehensive income								60,764
BALANCE, DECEMBER 31, 2011	<u>51,110,987</u>	<u>\$511</u>	<u>\$480,898</u>	<u>\$429,365</u>	<u>\$ (7,618)</u>	<u>(505,400)</u>	<u>\$(16,088)</u>	<u>\$887,068</u>

See notes to condensed consolidated financial statements.

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**TRANSDIGM GROUP INCORPORATED**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Amounts in thousands)**  
**(Unaudited)**

	<b>Thirteen Week Periods Ended</b>	
	<b>December 31, 2011</b>	<b>January 1, 2011</b>
<b>OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ 65,105	\$ (7,358)
Net loss from discontinued operations	—	205
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	5,314	4,339
Amortization of intangible assets	12,468	4,277
Amortization of debt issue costs	2,616	2,082
Refinancing costs	—	70,730
Non-cash equity compensation	3,648	1,857
Excess tax benefits related to share-based payment arrangements	(9,050)	(4,163)
Deferred income taxes	(4,700)	2,218
Changes in assets/liabilities, net of effects from acquisitions of businesses:		
Trade accounts receivable	20,150	19,294
Inventories	(543)	3,793
Income taxes receivable/payable	35,800	(5,052)
Other assets	2,648	59
Accounts payable	(15,436)	(11,949)
Accrued and other liabilities	(50,321)	(18,184)
Net cash provided by operating activities	<u>67,699</u>	<u>62,148</u>
<b>INVESTING ACTIVITIES:</b>		
Capital expenditures	(4,703)	(2,987)
Acquisition of businesses, net of cash acquired	(83,812)	(1,362,201)
Net cash used in investing activities	<u>(88,515)</u>	<u>(1,365,188)</u>
<b>FINANCING ACTIVITIES:</b>		
Excess tax benefits related to share-based payment arrangements	9,050	4,163
Proceeds from exercise of stock options	3,503	2,980
Dividends paid	(3,299)	(2,810)
Treasury stock purchased	(846)	—
Proceeds from new senior secured credit facility - net	—	1,505,007
Repayment on new senior secured credit facility	(3,875)	—
Proceeds from senior subordinated notes due 2018 - net	—	1,583,165
Repurchase of senior subordinated notes due 2014	—	(1,009,269)
Repayment of existing senior secured credit facility	—	(780,000)
Net cash provided by financing activities	<u>4,533</u>	<u>1,303,236</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(16,283)</b>	<b>196</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>376,183</b>	<b>234,112</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b><u>\$ 359,900</u></b>	<b><u>\$ 234,308</u></b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid during the period for interest	<u>\$ 77,938</u>	<u>\$ 34,641</u>
Cash paid during the period for income taxes	<u>\$ 11,393</u>	<u>\$ 10</u>

See notes to condensed consolidated financial statements.

**TRANSDIGM GROUP INCORPORATED**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**THIRTEEN WEEK PERIODS ENDED DECEMBER 31, 2011 AND JANUARY 1, 2011**

**(UNAUDITED)**

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**1. DESCRIPTION OF THE BUSINESS**

**Description of the Business** – TransDigm Group Incorporated (“TD Group”), through its wholly-owned subsidiary, TransDigm Inc., is a leading global designer, producer and supplier of highly engineered aircraft components for use on nearly all commercial and military aircraft in service today. TransDigm Inc. along with TransDigm Inc.’s direct and indirect wholly-owned operating subsidiaries (collectively, with TD Group, the “Company” or “TransDigm”), offers a broad range of proprietary aerospace components. TD Group has no significant assets or operations other than its 100% ownership of TransDigm Inc. TD Group’s common stock is listed on The New York Stock Exchange, or the NYSE, under the trading symbol “TDG.”

Major product offerings, substantially all of which are ultimately provided to end-users in the aerospace industry, include mechanical/electro-mechanical actuators and controls, ignition systems and engine technology, specialized pumps and valves, power conditioning devices, specialized AC/DC electric motors and generators, NiCad batteries and chargers, engineered latching and locking devices, rods and locking devices, engineered connectors and elastomers, cockpit security components and systems, specialized cockpit displays, aircraft audio systems, specialized lavatory components, engineered interior surfaces and lighting and control technology.

**Separate Financial Statements** – Separate financial statements of TransDigm Inc. are not presented because TransDigm Inc.’s 7<sup>3</sup>/<sub>4</sub>% senior subordinated notes are fully and unconditionally guaranteed on a senior subordinated basis by TD Group and all existing domestic subsidiaries of TransDigm Inc. and because TD Group has no significant operations or assets separate from its investment in TransDigm Inc.

**2. UNAUDITED INTERIM FINANCIAL INFORMATION**

The financial information included herein is unaudited; however, the information reflects all adjustments (consisting solely of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of the Company’s financial position and results of operations and cash flows for the interim periods presented. These financial statements and notes should be read in conjunction with the financial statements and related notes for the year ended September 30, 2011 included in TD Group’s Form 10-K dated November 18, 2011. As disclosed therein, the Company’s annual consolidated financial statements were prepared in conformity with generally accepted accounting principles in the United States (“GAAP”). The September 30, 2011 condensed consolidated balance sheet was derived from TD Group’s audited financial statements. The results of operations for the thirteen week period ended December 31, 2011 are not necessarily indicative of the results to be expected for the full year.

**3. ACQUISITIONS**

**Harco Laboratories, Incorporated** – On December 9, 2011, TransDigm Inc. acquired all of the outstanding stock of Harco Laboratories, Incorporated (“Harco”), for approximately \$82.8 million in cash, subject to adjustments based on the level of working capital as of the closing date of the acquisition. Harco designs and manufactures highly engineered thermocouples, sensors, engine cable assemblies and related products for commercial aircraft. These products fit well with TransDigm’s overall business direction. The Company expects that the approximately \$54 million of goodwill recognized for the acquisition will not be deductible for tax purposes.

**Schneller Holdings** – On August 31, 2011, TransDigm Inc. acquired all of the outstanding equity interests in Schneller Holdings LLC (“Schneller”) for approximately \$288.6 million in cash, which includes a purchase price adjustment of \$1.0 million paid in the first quarter of fiscal 2012. Schneller designs and manufactures proprietary, highly engineered laminates, thermoplastics, and non-textile flooring for use primarily on side walls, lavatories, galleys, bulkheads and cabin floors for commercial aircraft. These products fit well with TransDigm’s overall business direction. The Company expects that the approximately \$167 million of goodwill recognized for the acquisition will be deductible for tax purposes.

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**Talley Actuation** – On December 31, 2010, AeroControlex Group, Inc., a wholly owned subsidiary of TransDigm Inc., acquired the actuation business of Telair International Inc. (“Talley Actuation”), a wholly-owned subsidiary of Teleflex Incorporated, for approximately \$93.6 million in cash, which includes a purchase price adjustment of \$0.3 million received in the third quarter of fiscal 2011. Talley Actuation manufactures proprietary, highly engineered electro-mechanical products and other components for commercial and military aircraft. These products fit well with TransDigm’s overall business direction. The Company expects that the approximately \$70 million of goodwill recognized for the acquisition will be deductible for tax purposes.

**McKechnie Aerospace Holdings, Inc.** – On December 6, 2010, TransDigm Inc. acquired all of the outstanding stock of McKechnie Aerospace Holdings Inc. (“McKechnie Aerospace”), for approximately \$1.27 billion in cash, which includes a purchase price adjustment of \$0.3 million paid in the third quarter of fiscal 2011. McKechnie Aerospace, through its subsidiaries, is a leading global designer, producer and supplier of aerospace components, assemblies and subsystems for commercial aircraft, regional/business jets, military fixed wing and rotorcraft. Some of the businesses acquired as part of McKechnie Aerospace have been divested. See Note 13 to the Condensed Consolidated Financial Statements. The remaining products fit well with TransDigm’s overall business direction.

The total purchase price was allocated to the underlying assets acquired and liabilities assumed based upon management’s estimated fair values at the date of acquisition. To the extent the purchase price exceeded the estimated fair value of the net identifiable tangible and intangible assets acquired, such excess was allocated to goodwill. The following table summarizes the purchase price allocation of the estimated fair values of the assets acquired and liabilities assumed at the transaction date (in thousands).

<b>Assets acquired:</b>	
Current assets, excluding cash acquired	\$ 109,289
Property, plant and equipment	48,901
Intangible assets	433,000
Goodwill	864,934
<b>Total assets acquired</b>	<b><u>\$1,456,124</u></b>
<b>Liabilities assumed:</b>	
Current liabilities	\$ 40,004
Deferred tax liabilities	118,591
Other noncurrent liabilities	31,837
<b>Total liabilities assumed</b>	<b><u>\$ 190,432</u></b>
<b>Net assets acquired</b>	<b><u>\$1,265,692</u></b>

The Company expects that the approximately \$865 million of goodwill recognized for the acquisition will not be deductible for tax purposes.



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The results of operations of McKechnie Aerospace are included in the Company's consolidated financial statements from the date of the transaction. Had the McKechnie acquisition and related financing transactions occurred at the beginning of the thirteen week period ended January 1, 2011, unaudited pro forma consolidated results for the thirteen week period ended January 1, 2011 would have been as follows (in thousands, except per share data):

	<b>Thirteen Week Period Ended January 1, 2011</b>
Net sales	<u>\$ 274,917</u>
Net loss applicable to common stock from continuing operations	<u>\$ (23,322)</u>
<b>Net loss per share from continuing operations:</b>	
Basic and diluted	<u>\$ (0.44)</u>

The unaudited pro forma consolidated results are based on the Company's historical financial statements and those of McKechnie Aerospace and do not necessarily indicate the results of operations that would have resulted had the acquisition actually been completed at the beginning of the applicable period presented. The pro forma financial information assumes that the companies were combined as of October 1, 2010. The pro forma results for the thirteen week period ended January 1, 2011 reflect the business combination accounting effects from the acquisition including amortization charges from the acquired intangible assets, inventory purchase accounting adjustments charged to cost of sales as the inventory is sold and increased interest expense associated with debt incurred to fund the acquisition. The unaudited pro forma consolidated results do not give effect to the synergies of the acquisition and are not indicative of the results of operations in future periods.

The Company accounted for the acquisitions of Harco, Schneller, Talley Actuation and McKechnie Aerospace (collectively, the "Acquisitions") using the acquisition method and included the results of operations of the Acquisitions in its consolidated financial statements from the effective date of each acquisition. The Company is in the process of obtaining a third-party valuation of certain tangible and intangible assets of Harco and Schneller and, therefore, the values attributed to those acquired assets in the consolidated financial statements are subject to adjustment. Pro forma net sales and results of operations for the acquisitions of Harco, Schneller and Talley Actuation had they occurred at the beginning of the thirteen week period ended January 1, 2011, are not significant and, accordingly, are not provided.

The Acquisitions strengthen and expand the Company's position to design, produce and supply highly-engineered proprietary aerospace components in niche markets with significant aftermarket content and provide opportunities to create value through the application of our three core value-driven operating strategies (obtaining profitable new business, continually improving our cost structure, and providing highly engineered value-added products to customers). The purchase price paid for each acquisition reflects the current earnings before interest, taxes, depreciation and amortization (EBITDA) and cash flows, as well as, the future EBITDA and cash flows expected to be generated by the business, which are driven in most cases by the recurring aftermarket consumption over the life of a particular aircraft, estimated to be approximately 30 years.

[Table of Contents](#)**4. RECENT ACCOUNTING PRONOUNCEMENT**

In May 2011, the Financial Accounting Standard Board (“FASB”) issued authoritative accounting guidance included in Accounting Standards Codification (ASC) Topic 820, “Fair Value Measurement.” This guidance amends the requirements for measuring fair value and disclosing information about fair value measurements. This authoritative guidance was adopted during the first quarter of fiscal 2012. The adoption did not have a material impact on the Company’s financial condition or results of operations.

**5. EARNINGS (LOSS) PER SHARE**

The following table sets forth the computation of basic and diluted earnings (loss) per share (in thousands, except per share data):

	Thirteen Week Periods Ended	
	December 31, 2011	January 1, 2011
<b>Numerator for earnings (loss) per share:</b>		
Net income (loss) from continuing operations	\$ 65,105	\$ (7,153)
Less dividends paid on participating securities	(3,299)	(2,811)
	<u>61,806</u>	<u>(9,964)</u>
Net loss from discontinued operations	—	(205)
	<u>\$ 61,806</u>	<u>\$ (10,169)</u>
<b>Denominator for basic and diluted earnings (loss) per share under the two-class method:</b>		
Weighted average common shares outstanding	50,431	49,500
Vested options deemed participating securities	<u>3,451</u>	<u>3,828</u>
	<u>53,882</u>	<u>53,328</u>
Net earnings (loss) per share from continuing operations - basic and diluted	\$ 1.15	\$ (0.19)
Net loss per share from discontinued operations - basic and diluted	—	—
<b>Net earnings (loss) per share</b>	<u>\$ 1.15</u>	<u>\$ (0.19)</u>

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**6. INVENTORIES**

Inventories are stated at the lower of cost or market. Cost of inventories is determined by the average cost and the first-in, first-out (FIFO) methods for all locations except CEF Industries LLC, which determines the cost of inventories using the last-in, first-out (LIFO) method. Approximately 5% of the inventory was valued under the LIFO method at December 31, 2011.

Inventories consist of the following (in thousands):

	December 31, 2011	September 30, 2011
Raw materials and purchased component parts	\$ 165,475	\$ 160,402
Work-in-progress	92,950	85,612
Finished goods	42,104	43,192
Total	300,529	289,206
Reserve for excess and obsolete inventory and LIFO	(26,356)	(23,889)
Inventories - net	<u>\$ 274,173</u>	<u>\$ 265,317</u>

**7. INTANGIBLE ASSETS**

Intangible assets subject to amortization consist of the following (in thousands):

	December 31, 2011			September 30, 2011		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Technology	\$ 562,279	\$ 82,107	\$480,172	\$ 546,726	\$ 75,426	\$471,300
Order backlog	24,700	20,378	4,322	24,799	17,895	6,904
Other	40,130	6,427	33,703	10,973	5,753	5,220
Total	<u>\$ 627,109</u>	<u>\$ 108,912</u>	<u>\$518,197</u>	<u>\$ 582,498</u>	<u>\$ 99,074</u>	<u>\$483,424</u>

Intangible assets acquired during the thirteen week period ended December 31, 2011 were as follows (in thousands):

	Cost	Amortization Period
Intangible assets not subject to amortization:		
Goodwill	\$53,653	
Trademarks and trade names	6,000	
	<u>59,653</u>	
Intangible assets subject to amortization:		
Technology	15,000	20 years
Order backlog	2,400	1 year
	<u>17,400</u>	17.4 years
Total	<u>\$77,053</u>	

The aggregate amortization expense on identifiable intangible assets for the thirteen week periods ended December 31, 2011 and January 1, 2011 was approximately \$12.5 million and \$4.3 million, respectively. The estimated amortization expense for fiscal 2012 is \$38.0 million and for each of the five succeeding years 2013 through 2017 is \$28.2 million, \$27.8 million, \$27.8 million, \$27.8 million and \$27.8 million, respectively.

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The following is a summary of changes in the carrying value of goodwill from September 30, 2011 through December 31, 2011 (in thousands):

Balance, September 30, 2011	\$2,595,747
Goodwill acquired during the year	53,653
Purchase price allocation adjustments	(27,144)
Other	(2,418)
Balance, December 31, 2011	<u>\$2,619,838</u>

### 8. PRODUCT WARRANTY

The Company provides limited warranties in connection with the sale of its products. The warranty period for products sold, which varies among the Company's operations, is typically less than two years but can be in the range from 90 days to six years. A provision for the estimated cost to repair or replace the products is recorded at the time of sale and periodically adjusted to reflect actual experience.

The following table presents a reconciliation of changes in the product warranty liability for the periods indicated below (in thousands):

	Thirteen Week Periods Ended	
	December 31, 2011	January 1, 2011
Liability balance at beginning of period	\$ 8,722	\$ 8,345
Accruals for warranties issued	498	222
Warranty costs incurred	(825)	(560)
Acquisitions	45	91
Liability balance at end of period	<u>\$ 8,440</u>	<u>\$ 8,098</u>

### 9. INCOME TAXES

At the end of each reporting period, TD Group makes an estimate of its annual effective income tax rate. The estimate used in the year-to-date period may change in subsequent periods. During the thirteen week periods ended December 31, 2011 and January 1, 2011, the effective income tax rate was 32.3% and 34.6%, respectively. The lower effective tax rate for the thirteen week period ended December 31, 2011 was primarily due to a non-recurring adjustment (benefit of \$2.6 million) to state income tax expense due to changes in state tax laws.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, various state and local jurisdictions as well as foreign jurisdictions located in Belgium, Malaysia, Mexico, France, Singapore and the United Kingdom. The Company is subject to U.S. federal examination for the 2008, 2009 and 2010 years.

At December 31, 2011 and September 30, 2011, TD Group had \$7.7 million and \$7.6 million in unrecognized tax benefits, the recognition of which would have an effect of approximately \$7.0 million on the effective tax rate at December 31, 2011 and September 30, 2011, respectively. The Company does not believe that the tax positions that comprise the unrecognized tax benefit amount will change significantly over the next 12 months. The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense.

## 10. FAIR VALUE MEASUREMENTS

The following tables present our assets and liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The following summarizes the carrying amounts and fair values of financial instruments (in thousands):

	Level	December 31, 2011		September 30, 2011	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Assets:</b>					
Cash and cash equivalents	1	\$ 359,900	\$ 359,900	\$ 376,183	\$ 376,183
<b>Liabilities:</b>					
Interest rate swaps <sup>(1)</sup>	2	6,600	6,600	5,600	5,600
Foreign currency exchange contracts	2	—	—	—	—
<i>Long-term debt:</i>					
Term loans	2	1,534,500	1,525,000	1,538,375	1,496,000
7 <sup>3</sup> / <sub>4</sub> % Senior Subordinated Notes due 2018	1	1,600,000	1,696,000	1,600,000	1,616,000

(1) Included in Other non-current liabilities on the Condensed Consolidated Balance Sheet.

Interest rate swaps were measured at fair value using quoted market prices for the swap interest rate indexes over the term of the swap discounted to present value versus the fixed rate of the contract. Foreign exchange contracts were measured at fair value using the quoted currency exchange rate versus the fixed rate of the contract. The estimated fair value of the Company's term loans was based on information provided by the agent under the Company's senior secured credit facility. The estimated fair values of the Company's 7<sup>3</sup>/<sub>4</sub>% senior subordinated notes due 2018 were based upon quoted market prices.

## 11. DERIVATIVES AND HEDGING ACTIVITIES

The Company is exposed to, among other things, the impact of changes in interest and foreign currency exchange rates in the normal course of business. The Company's risk management program is designed to manage the exposure and volatility arising from these risks, and utilizes derivative financial instruments to offset a portion of these risks. The Company uses derivative financial instruments only to the extent necessary to hedge identified business risks, and does not enter into such transactions for trading purposes. The Company generally does not require collateral or other security with counterparties to these financial instruments and is therefore subject to credit risk in the event of nonperformance; however, the Company monitors credit risk and currently does not anticipate nonperformance by other parties.

Interest rate swap agreements are used to manage interest rate risk associated with floating-rate borrowings under our New Senior Secured Credit Facility. The interest rate swap agreements utilized by the Company effectively modify the Company's exposure to interest rate risk by converting a portion of the Company's floating-rate debt to a fixed rate basis through the expiration date of the interest rate swap agreements, thereby reducing the impact of interest rate changes on future interest expense. These agreements involve the receipt of floating rate amounts in exchange for fixed rate interest payments over the term of the agreements without an exchange of the underlying principal amount. These derivative instruments qualify as effective cash flow hedges under GAAP. For these hedges, the effective portion of the gain or loss from the financial instruments is initially reported as a component of accumulated other comprehensive income (loss) in stockholders' equity and subsequently reclassified into earnings in the same line as the hedged item in the same period or periods during which the hedged item affects earnings.

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At December 31, 2011, three forward-starting interest rate swap agreements were in place to swap variable rates on the New Senior Secured Credit Facility for a fixed rate based on an aggregate notional amount of \$353 million. Beginning December 31, 2012, these interest rate swap agreements will effectively convert the variable interest rate on the aggregate notional amount of the New Senior Secured Credit Facility to a fixed rate of 5.17% (2.17% plus the 3% margin percentage) through June 30, 2015.

Foreign currency exchange contracts are used to manage the impact of changes in foreign exchange rates on our consolidated results of operations and future foreign currency-denominated cash flows. These contracts effectively reduce exposure to currency movements affecting foreign currency-denominated expenditures by fixing the foreign currency exchange rate over the term of the agreement. These derivative instruments qualify as effective cash flow hedges under GAAP. For these hedges, changes in the fair value of the hedge are initially recorded as a component of accumulated other comprehensive income (loss) in stockholders' equity and are subsequently reclassified into earnings in the same period the forecasted transaction affects earnings.

As of December 31, 2011, the Company had outstanding foreign currency exchange contracts totaling \$2.2 million in the form of forward contracts with varying maturity dates ranging from January 2012 to September 2012. The fair value of these contracts approximated their carrying value as of December 31, 2011.

### 12. COMPREHENSIVE INCOME

Comprehensive income (loss), which primarily includes adjustments for changes in the fair values of the interest rate swap agreements on a net of tax basis and foreign currency translation adjustments, was approximately \$60.8 million and (\$5.7) million for the thirteen week periods ended December 31, 2011 and January 1, 2011, respectively.

### 13. DISCONTINUED OPERATIONS

On March 9, 2011, the Company completed the divestiture of its fastener business for approximately \$239.6 million in cash, subject to adjustments based on the level of working capital as of the closing date. This business, which was acquired as part of the McKechnie Aerospace acquisition, is made up of Valley-Todeco, Inc. and Linread Ltd. The business designs and manufactures fasteners, fastening systems and bearings for commercial, military and general aviation aircraft.

On April 7, 2011, the Company completed the divestiture of Aero Quality Sales ("AQS") to Satair A/S for approximately \$31.8 million in cash, which includes a \$1.8 million working capital adjustment received in the third quarter of fiscal 2011. AQS, which was acquired as part of the McKechnie Aerospace acquisition, is a distributor and service center of aircraft batteries and battery support equipment. The Company's Chairman and Chief Executive Officer, W. Nicholas Howley, was a director of Satair A/S from 2006 through October 2011.

The sales of the fastener business and AQS have been accounted for as discontinued operations and accordingly the condensed consolidated statements of income have classified the operating results to reflect discontinued operations presentation. The following is the summarized operating results for the fastener business and AQS from the date of acquisition (December 6, 2010) through January 1, 2011 (in thousands).

	<u>Thirteen Week Period Ended January 1, 2011</u>
Net sales	<u>\$ 6,490</u>
Loss from discontinued operations before income taxes	\$ (71)
Income tax provision	<u>(134)</u>
Loss from discontinued operations	<u>\$ (205)</u>

**14. SUBSEQUENT EVENT**

On January 20, 2012, TransDigm entered into a definitive agreement to purchase AmSafe Global Holdings, Inc. (“AmSafe”), a privately-owned, world leading supplier of innovative, highly engineered and proprietary safety and restraint equipment used primarily in the global aerospace industry, for a total purchase price of approximately \$750 million in cash. TransDigm expects to finance the acquisition through a combination of new senior bank debt and cash.

The acquisition, subject to review under the Hart-Scott-Rodino Act and other customary closing conditions, is expected to close before the end of the second quarter of fiscal 2012.

**15. SUPPLEMENTAL GUARANTOR INFORMATION**

TransDigm’s 7<sup>3/4</sup>% senior subordinated notes due 2018 are jointly and severally guaranteed, on a senior subordinated basis, by TD Group and TransDigm Inc.’s Domestic Restricted Subsidiaries, as defined in the indenture. The following supplemental condensed consolidating financial information presents, in separate columns, the balance sheets of the Company as of December 31, 2011 and September 30, 2011 and its statements of income and cash flows for the thirteen week periods ended December 31, 2011 and January 1, 2011 for (i) TransDigm Group on a parent only basis with its investment in subsidiaries recorded under the equity method, (ii) TransDigm Inc. including its directly owned operations and non-operating entities, (iii) the Subsidiary Guarantors on a combined basis, (iv) Non-Guarantor Subsidiaries after December 14, 2010 and (v) the Company on a consolidated basis.

**TRANSDIGM GROUP INCORPORATED**  
**CONDENSED CONSOLIDATING BALANCE SHEET**  
**AS OF DECEMBER 31, 2011**

	<u>TransDigm Group</u>	<u>TransDigm Inc.</u>	<u>Subsidiary Guarantors</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Total Consolidated</u>
<b>ASSETS</b>						
<b>CURRENT ASSETS:</b>						
Cash and cash equivalents	\$ 8,133	\$ 343,941	\$ (1,266)	\$ 9,092	\$ —	\$ 359,900
Trade accounts receivable - Net	—	10,876	158,143	6,429	(750)	174,698
Inventories	—	22,472	241,751	9,934	16	274,173
Deferred income taxes	—	25,100	—	—	—	25,100
Prepaid expenses and other	—	788	4,739	643	—	6,170
Total current assets	<u>8,133</u>	<u>403,177</u>	<u>403,367</u>	<u>26,098</u>	<u>(734)</u>	<u>840,041</u>
<b>INVESTMENT IN SUBSIDIARIES AND INTERCOMPANY</b>						
BALANCES	878,935	3,930,487	1,855,083	(7,643)	(6,656,862)	—
PROPERTY, PLANT AND EQUIPMENT - Net	—	15,767	128,876	5,179	—	149,822
GOODWILL	—	78,793	2,507,493	33,552	—	2,619,838
TRADEMARKS AND TRADE NAMES	—	19,376	320,579	11,701	—	351,656
OTHER INTANGIBLE ASSETS - Net	—	8,610	495,723	13,864	—	518,197
DEBT ISSUE COSTS - Net	—	56,426	—	—	—	56,426
OTHER	—	2,437	6,919	—	—	9,356
TOTAL ASSETS	<u>\$887,068</u>	<u>\$4,515,073</u>	<u>\$5,718,040</u>	<u>\$ 82,751</u>	<u>\$(6,657,596)</u>	<u>\$4,545,336</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>						
<b>CURRENT LIABILITIES:</b>						
Current portion of long-term debt	\$ —	\$ 15,500	\$ —	\$ —	\$ —	\$ 15,500
Accounts payable	—	6,298	37,753	4,912	(750)	48,213
Accrued liabilities	—	15,181	59,288	2,306	—	76,775
Income taxes payable	—	23,745	—	501	—	24,246
Total current liabilities	<u>—</u>	<u>60,724</u>	<u>97,041</u>	<u>7,719</u>	<u>(750)</u>	<u>164,734</u>
LONG-TERM DEBT	—	3,119,000	—	—	—	3,119,000
DEFERRED INCOME TAXES	—	313,600	—	—	—	313,600
OTHER NON-CURRENT LIABILITIES	—	24,812	36,122	—	—	60,934
Total liabilities	<u>—</u>	<u>3,518,136</u>	<u>133,163</u>	<u>7,719</u>	<u>(750)</u>	<u>3,658,268</u>
STOCKHOLDERS' EQUITY	<u>887,068</u>	<u>996,937</u>	<u>5,584,877</u>	<u>75,032</u>	<u>(6,656,846)</u>	<u>887,068</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$887,068</u>	<u>\$4,515,073</u>	<u>\$5,718,040</u>	<u>\$ 82,751</u>	<u>\$(6,657,596)</u>	<u>\$4,545,336</u>



**TRANSDIGM GROUP INCORPORATED**  
**CONDENSED CONSOLIDATING BALANCE SHEET**  
**AS OF SEPTEMBER 30, 2011**

	<u>TransDigm Group</u>	<u>TransDigm Inc.</u>	<u>Subsidiary Guarantors</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Total Consolidated</u>
<b>ASSETS</b>						
<b>CURRENT ASSETS:</b>						
Cash and cash equivalents	\$ 5,695	\$ 360,074	\$ 2,115	\$ 8,299	\$ —	\$ 376,183
Trade accounts receivable - Net	—	11,183	170,420	8,484	(794)	189,293
Inventories	—	23,311	233,726	8,264	16	265,317
Deferred income taxes	—	23,248	7,596	—	—	30,844
Prepaid expenses and other	—	2,571	5,451	633	—	8,655
Total current assets	5,695	420,387	419,308	25,680	(778)	870,292
<b>INVESTMENT IN SUBSIDIARIES AND INTERCOMPANY</b>						
BALANCES	805,254	3,746,531	1,557,736	(8,494)	(6,101,027)	—
PROPERTY, PLANT AND EQUIPMENT - Net	—	15,903	129,566	5,331	—	150,800
GOODWILL	—	81,736	2,478,780	35,231	—	2,595,747
TRADEMARKS AND TRADE NAMES	—	19,376	313,280	12,286	—	344,942
OTHER INTANGIBLE ASSETS - Net	—	8,760	459,615	15,049	—	483,424
DEBT ISSUE COSTS - Net	—	59,007	—	—	—	59,007
OTHER	—	2,415	7,010	(1)	—	9,424
<b>TOTAL ASSETS</b>	<u>\$810,949</u>	<u>\$4,354,115</u>	<u>\$5,365,295</u>	<u>\$ 85,082</u>	<u>\$(6,101,805)</u>	<u>\$4,513,636</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>						
<b>CURRENT LIABILITIES:</b>						
Current portion of long-term debt	\$ —	\$ 15,500	\$ —	\$ —	\$ —	\$ 15,500
Accounts payable	—	8,071	49,944	4,889	(794)	62,110
Accrued liabilities	—	52,525	65,178	2,609	—	120,312
Income taxes payable	—	5,561	3,155	221	—	8,937
Total current liabilities	—	81,657	118,277	7,719	(794)	206,859
LONG-TERM DEBT	—	3,122,875	—	—	—	3,122,875
DEFERRED INCOME TAXES	—	199,610	110,841	—	—	310,451
OTHER NON-CURRENT LIABILITIES	—	26,717	35,785	—	—	62,502
Total liabilities	—	3,430,859	264,903	7,719	(794)	3,702,687
STOCKHOLDERS' EQUITY	810,949	923,256	5,100,392	77,363	(6,101,011)	810,949
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$810,949</u>	<u>\$4,354,115</u>	<u>\$5,365,295</u>	<u>\$ 85,082</u>	<u>\$(6,101,805)</u>	<u>\$4,513,636</u>

**TRANSDIGM GROUP INCORPORATED**  
**CONDENSED CONSOLIDATING STATEMENT OF INCOME**  
**FOR THE THIRTEEN WEEK PERIOD ENDED DECEMBER 31, 2011**  
**(Amounts in thousands)**

	<u>TransDigm Group</u>	<u>TransDigm Inc.</u>	<u>Subsidiary Guarantors</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Total Consolidated</u>
NET SALES	\$ —	\$ 27,518	\$316,538	\$ 9,892	\$ (1,475)	\$ 352,473
COST OF SALES	<u>—</u>	<u>11,876</u>	<u>134,629</u>	<u>7,888</u>	<u>(1,475)</u>	<u>152,918</u>
GROSS PROFIT	—	15,642	181,909	2,004	—	199,555
SELLING AND ADMINISTRATIVE EXPENSES	—	14,846	26,301	703	—	41,850
AMORTIZATION OF INTANGIBLE ASSETS	<u>—</u>	<u>156</u>	<u>11,794</u>	<u>489</u>	<u>—</u>	<u>12,439</u>
INCOME FROM OPERATIONS	—	640	143,814	812	—	145,266
INTEREST EXPENSE - Net	—	48,546	124	391	—	49,061
EQUITY IN INCOME OF SUBSIDIARIES	<u>(65,105)</u>	<u>(94,784)</u>	<u>—</u>	<u>—</u>	<u>159,889</u>	<u>—</u>
INCOME BEFORE INCOME TAXES	65,105	46,878	143,690	421	(159,889)	96,205
INCOME TAX PROVISION (BENEFIT)	<u>—</u>	<u>(18,227)</u>	<u>48,883</u>	<u>444</u>	<u>—</u>	<u>31,100</u>
NET INCOME (LOSS)	<u>\$ 65,105</u>	<u>\$ 65,105</u>	<u>\$ 94,807</u>	<u>\$ (23)</u>	<u>\$ (159,889)</u>	<u>\$ 65,105</u>

**TRANSDIGM GROUP INCORPORATED**  
**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS**  
**FOR THE THIRTEEN WEEK PERIOD ENDED JANUARY 1, 2011**  
**(Amounts in thousands)**

	<u>TransDigm Group</u>	<u>TransDigm Inc.</u>	<u>Subsidiary Guarantors</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Total Consolidated</u>
NET SALES	\$ —	\$ 17,332	\$ 214,992	\$ 2,403	\$ (1,175)	\$ 233,552
COST OF SALES	—	10,359	95,655	1,274	(882)	106,406
GROSS PROFIT	—	6,973	119,337	1,129	(293)	127,146
SELLING AND ADMINISTRATIVE EXPENSES	—	9,696	20,567	257	—	30,520
AMORTIZATION OF INTANGIBLE ASSETS	—	156	4,196	(75)	—	4,277
INCOME (LOSS) FROM OPERATIONS	—	(2,879)	94,574	947	(293)	92,349
INTEREST EXPENSE - Net	—	32,036	524	(4)	—	32,556
REFINANCING COSTS	—	70,730	—	—	—	70,730
EQUITY IN INCOME OF SUBSIDIARIES	7,358	(61,758)	—	—	54,400	—
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(7,358)	(43,887)	94,050	951	(54,693)	(10,937)
INCOME TAX PROVISION (BENEFIT)	—	(36,529)	32,471	274	—	(3,784)
INCOME (LOSS) FROM CONTINUING OPERATIONS	(7,358)	(7,358)	61,579	677	(54,693)	(7,153)
LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX	—	—	(63)	(142)	—	(205)
NET INCOME (LOSS)	<u>\$ (7,358)</u>	<u>\$ (7,358)</u>	<u>\$ 61,516</u>	<u>\$ 535</u>	<u>\$ (54,693)</u>	<u>\$ (7,358)</u>

**TRANSDIGM GROUP INCORPORATED**  
**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**  
**FOR THE THIRTEEN WEEK PERIOD ENDED DECEMBER 31, 2011**  
**(Amounts in thousands)**

	<u>TransDigm Group</u>	<u>TransDigm Inc.</u>	<u>Subsidiary Guarantors</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Total Consolidated</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ —	\$ (52,200)	\$ 115,490	\$ 763	\$ 3,646	\$ 67,699
INVESTING ACTIVITIES:						
Capital expenditures	—	(367)	(4,314)	(22)	—	(4,703)
Acquisition of businesses, net of cash acquired	—	(83,812)	—	—	—	(83,812)
Net cash used in investing activities	—	(84,179)	(4,314)	(22)	—	(88,515)
FINANCING ACTIVITIES:						
Intercompany activities	(5,970)	124,121	(114,557)	52	(3,646)	—
Excess tax benefits related to share-based payment arrangements	9,050	—	—	—	—	9,050
Proceeds from exercise of stock options	3,503	—	—	—	—	3,503
Dividends paid	(3,299)	—	—	—	—	(3,299)
Treasury stock purchased	(846)	—	—	—	—	(846)
Repayment on new senior secured credit facility	—	(3,875)	—	—	—	(3,875)
Net cash provided by (used in) financing activities	2,438	120,246	(114,557)	52	(3,646)	4,533
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,438	(16,133)	(3,381)	793	—	(16,283)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	5,695	360,074	2,115	8,299	—	376,183
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 8,133</u>	<u>\$ 343,941</u>	<u>\$ (1,266)</u>	<u>\$ 9,092</u>	<u>\$ —</u>	<u>\$ 359,900</u>

**TRANSDIGM GROUP INCORPORATED**  
**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**  
**FOR THE THIRTEEN WEEK PERIOD ENDED JANUARY 1, 2011**  
**(Amounts in thousands)**

	<u>TransDigm Group</u>	<u>TransDigm Inc.</u>	<u>Subsidiary Guarantors</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Total Consolidated</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ —	\$ 19,403	\$ 43,952	\$ (2,001)	\$ 794	\$ 62,148
INVESTING ACTIVITIES:						
Capital expenditures	—	(688)	(2,280)	(19)	—	(2,987)
Acquisition of businesses, net of cash acquired	—	(1,362,201)	—	—	—	(1,362,201)
Net cash used in investing activities	—	(1,362,889)	(2,280)	(19)	—	(1,365,188)
FINANCING ACTIVITIES:						
Intercompany activities	(6,061)	7,570	(30,312)	29,597	(794)	—
Excess tax benefits related to share-based payment arrangements	4,163	—	—	—	—	4,163
Proceeds from exercise of stock options	2,980	—	—	—	—	2,980
Dividends paid	(2,810)	—	—	—	—	(2,810)
Proceeds from new senior secured credit facility - net	—	1,505,007	—	—	—	1,505,007
Proceeds from 2018 senior subordinated notes - net	—	1,583,165	—	—	—	1,583,165
Repurchase of 2014 senior subordinated notes	—	(1,009,269)	—	—	—	(1,009,269)
Repayment of previous senior secured credit facility	—	(780,000)	—	—	—	(780,000)
Net cash provided by (used in) financing activities	(1,728)	1,306,473	(30,312)	29,597	(794)	1,303,236
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,728)	(37,013)	11,360	27,577	—	196
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	4,884	226,200	3,028	—	—	234,112
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 3,156</u>	<u>\$ 189,187</u>	<u>\$ 14,388</u>	<u>\$ 27,577</u>	<u>\$ —</u>	<u>\$ 234,308</u>

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## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion of the Company's financial condition and results of operations should be read together with TD Group's consolidated financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q. References in this section to "TransDigm," "the Company," "we," "us," "our," and similar references refer to TD Group, TransDigm Inc. and TransDigm Inc.'s subsidiaries, unless the context otherwise indicates. The following discussion may contain predictions, estimates and other forward-looking statements that involve a number of risks and uncertainties, including those discussed in this report. These risks could cause our actual results to differ materially from any future performance suggested below.*

This Quarterly Report on Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including, in particular, the statements about the Company's plans, strategies and prospects under this section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." Although the Company believes that its plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, the Company can give no assurance that such plans, intentions or expectations will be achieved. Many of the factors affecting these forward-looking statements are outside the control of the Company. Consequently, such forward-looking statements should be regarded solely as the Company's current plans, estimates and beliefs. The Company does not undertake, and specifically declines, any obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events, except as required by applicable law. All forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the foregoing cautionary statements.

Important factors that could cause actual results to differ materially from the forward-looking statements made in this Quarterly Report on Form 10-Q include but are not limited to: the sensitivity of our business to the number of flight hours that our customers' planes spend aloft and our customers' profitability, both of which are affected by general economic conditions; future terrorist attacks; our reliance on certain customers; the U.S. defense budget and risks associated with being a government supplier; failure to maintain government or industry approvals; failure to complete or successfully integrate acquisitions; our substantial indebtedness; potential environmental liabilities; and other factors. Please refer to the other information included in this Quarterly Report on Form 10-Q and to the Annual Report on Form 10-K for additional information regarding the foregoing factors that may affect our business.

### Overview

We believe we are a leading global designer, producer and supplier of highly engineered aircraft components for use on nearly all commercial and military aircraft in service today. Our business is well diversified due to the broad range of products we offer to our customers. Some of our more significant product offerings, substantially all of which are ultimately provided to end-users in the aerospace industry, include mechanical/electro-mechanical actuators and controls, ignition systems and engine technology, specialized pumps and valves, power conditioning devices, specialized AC/DC electric motors and generators, NiCad batteries and chargers, engineered latching and locking devices, rods and locking devices, engineered connectors and elastomers, cockpit security components and systems, specialized cockpit displays, aircraft audio systems, specialized lavatory components, engineered interior surfaces and lighting and control technology. Each of these product offerings is composed of many individual products that are typically customized to meet the needs of a particular aircraft platform or customer.

For the first quarter of fiscal 2012, we generated net sales of \$352.5 million and net income of \$65.1 million. EBITDA As Defined was \$174.1 million, or 49.4% of net sales. See below for certain information regarding EBITDA and EBITDA As Defined, including reconciliations of EBITDA and EBITDA As Defined to net income and net cash provided by operating activities.

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### **Certain Acquisitions and Divestitures**

#### Harco Laboratories Acquisition

On December 9, 2011, TransDigm Inc. acquired all of the outstanding stock of Harco Laboratories, Incorporated (“Harco”), for approximately \$82.8 million in cash, subject to adjustments based on the level of working capital as of the closing date of the acquisition. Harco designs and manufactures highly engineered thermocouples, sensors, engine cable assemblies and related products for commercial aircraft. These products fit well with TransDigm’s overall business direction. The Company is in the process of obtaining information to value certain tangible and intangible assets of Harco, and therefore the condensed consolidated financial statements at December 31, 2011 reflect a preliminary purchase price allocation for the business.

#### Schneller Holdings Acquisition

On August 31, 2011, TransDigm Inc. acquired all of the outstanding equity interests in Schneller Holdings LLC (“Schneller”) for approximately \$288.6 million in cash, which includes a purchase price adjustment of \$1.0 million paid in the first quarter of fiscal 2012. Schneller designs and manufactures proprietary, highly engineered laminates, thermoplastics, and non-textile flooring for use primarily on side walls, lavatories, galleys, bulkheads and cabin floors for commercial aircraft. These products fit well with TransDigm’s overall business direction. The Company is in the process of obtaining information to value certain tangible and intangible assets of Schneller, and therefore the condensed consolidated financial statements at December 31, 2011 reflect a preliminary purchase price allocation for the business.

#### Talley Actuation Acquisition

On December 31, 2010, AeroControlex Group, Inc., a wholly owned subsidiary of TransDigm Inc., acquired the actuation business of Telair International Inc. (“Talley Actuation”), a wholly-owned subsidiary of Teleflex Incorporated, for approximately \$93.6 million in cash, which includes a purchase price adjustment of \$0.3 million received in the third quarter of fiscal 2011. Talley Actuation manufactures proprietary, highly engineered electro-mechanical products and other components for commercial and military aircraft. These products fit well with TransDigm’s overall business direction.

#### McKechnie Aerospace Holdings, Inc. Acquisition

On December 6, 2010, TransDigm Inc. acquired all of the outstanding stock of McKechnie Aerospace Holdings Inc. (“McKechnie Aerospace”), for approximately \$1.27 billion in cash, which includes a purchase price adjustment of \$0.3 million paid in the third quarter of fiscal 2011. McKechnie Aerospace, through its subsidiaries, is a leading global designer, producer and supplier of aerospace components, assemblies and subsystems for commercial aircraft, regional/business jets, military fixed wing and rotorcraft. Some of the businesses acquired as part of McKechnie Aerospace have since been divested (see below). The remaining products fit well with TransDigm’s overall business direction.

#### Aero Quality Sales Divestiture

On April 7, 2011, the Company completed the divestiture of Aero Quality Sales (“AQS”) to Satair A/S for approximately \$31.8 million in cash, which includes a \$1.8 million working capital adjustment received in the third quarter of fiscal 2011. AQS, which was acquired as part of the McKechnie Aerospace acquisition, is a distributor and service center of aircraft batteries and battery support equipment. The Company’s Chairman and Chief Executive Officer, W. Nicholas Howley was a director of Satair A/S from 2006 through October 2011. Mr. Howley disclosed his relationship with Satair A/S to the Company’s board of directors and abstained from the related vote.

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### Fastener Business Divestiture

On March 9, 2011, the Company completed the divestiture of its fastener business for approximately \$239.6 million in cash, subject to adjustments based on the level of working capital as of the closing date. This business, which was acquired as part of the McKechnie Aerospace acquisition, is made up of Valley-Todeco, Inc. and Linread Ltd. The business designs and manufactures fasteners, fastening systems and bearings for commercial, military and general aviation aircraft.

### **Recent Development**

On January 20, 2012, TransDigm entered into a definitive agreement to purchase AmSafe Global Holdings, Inc. (“AmSafe”), a privately-owned, world leading supplier of innovative, highly engineered and proprietary safety and restraint equipment used primarily in the global aerospace industry, for a total purchase price of approximately \$750 million in cash. TransDigm expects to finance the acquisition through a combination of new senior bank debt and cash.

The acquisition, subject to review under the Hart-Scott-Rodino Act and other customary closing conditions, is expected to close before the end of the second quarter of fiscal 2012.

### **Non-GAAP Financial Measures**

We present below certain financial information based on our EBITDA and EBITDA As Defined. References to “EBITDA” mean earnings before interest, taxes, depreciation and amortization, and references to “EBITDA As Defined” mean EBITDA plus, as applicable for each relevant period, certain adjustments as set forth in the reconciliations of net income to EBITDA and EBITDA As Defined and the reconciliations of net cash provided by operating activities to EBITDA and EBITDA As Defined presented below.

Neither EBITDA nor EBITDA As Defined is a measurement of financial performance under accounting principles generally accepted in the United States of America (“GAAP”). We present EBITDA and EBITDA As Defined because we believe they are useful indicators for evaluating operating performance and liquidity.

Our management believes that EBITDA and EBITDA As Defined are useful as indicators of liquidity because securities analysts, investors, rating agencies and others use EBITDA to evaluate a company's ability to incur and service debt. In addition, EBITDA As Defined is useful to investors because our revolving credit facility under our senior secured credit facility requires compliance, on a pro forma basis, with a financial covenant that measures the ratio of the amount of our secured indebtedness to the amount of our Consolidated EBITDA defined in the same manner as we define EBITDA As Defined herein. This financial covenant is a material term of our senior secured credit facility as the failure to comply with such financial covenant could result in an event of default in respect of the revolving credit facility (and such an event of default could, in turn, result in an event of default under the indentures governing our 7<sup>3/4</sup>% senior subordinated notes).

In addition to the above, our management uses EBITDA As Defined to review and assess the performance of the management team in connection with employee incentive programs and to prepare its annual budget and financial projections. Moreover, our management uses EBITDA As Defined to evaluate acquisitions.

Although we use EBITDA and EBITDA As Defined as measures to assess the performance of our business and for the other purposes set forth above, the use of these non-GAAP financial measures as analytical tools has limitations, and you should not consider any of them in isolation, or as a substitute for analysis of our results of operations as reported in accordance with GAAP. Some of these limitations are:

- neither EBITDA nor EBITDA As Defined reflects the significant interest expense, or the cash requirements necessary to service interest payments, on our indebtedness;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and neither EBITDA nor EBITDA As Defined reflects any cash requirements for such replacements;
- the omission of the substantial amortization expense associated with our intangible assets further limits the usefulness of EBITDA and EBITDA As Defined;
- neither EBITDA nor EBITDA As Defined includes the payment of taxes, which is a necessary element of our operations; and



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- EBITDA As Defined excludes the cash expense we have incurred to integrate acquired businesses into our operations, which is a necessary element of certain of our acquisitions.

Because of these limitations, EBITDA and EBITDA As Defined should not be considered as measures of discretionary cash available to us to invest in the growth of our business. Management compensates for these limitations by not viewing EBITDA or EBITDA As Defined in isolation and specifically by using other GAAP measures, such as net income, net sales and operating profit, to measure our operating performance. Neither EBITDA nor EBITDA As Defined is a measurement of financial performance under GAAP, and neither should be considered as an alternative to net income or cash flow from operations determined in accordance with GAAP. Our calculation of EBITDA and EBITDA As Defined may not be comparable to the calculation of similarly titled measures reported by other companies.

The following table sets forth a reconciliation of net income to EBITDA and EBITDA As Defined (in thousands):

	Thirteen Week Periods Ended	
	December 31, 2011	January 1, 2011
Net income (loss)	\$ 65,105	\$ (7,358)
Less loss from discontinued operations	—	(205)
Income (loss) from continuing operations	65,105	(7,153)
Adjustments:		
Depreciation and amortization expense	17,782	8,616
Interest expense, net	49,061	32,556
Income tax provision (benefit)	31,100	(3,784)
EBITDA, excluding discontinued operations	163,048	30,235
Adjustments:		
Inventory purchase accounting adjustments <sup>(1)</sup>	3,151	2,106
Acquisition integration costs <sup>(2)</sup>	2,552	3,839
Acquisition transaction-related expenses <sup>(3)</sup>	1,749	1,801
Stock option expense <sup>(4)</sup>	3,648	1,857
Refinancing costs <sup>(5)</sup>	—	70,730
EBITDA As Defined	\$ 174,148	\$ 110,568

- (1) Represents accounting adjustments to inventory associated with acquisitions of businesses and product lines that were charged to cost of sales when the inventory was sold.
- (2) Represents costs incurred to integrate acquired businesses and product lines into TD Group's operations, facility relocation costs and other acquisition-related costs.
- (3) Represents transaction-related costs comprising deal fees; legal, financial and tax due diligence expenses; and valuation costs that are required to be expensed as incurred.
- (4) Represents the compensation expense recognized by TD Group under our stock option plans.
- (5) Represents costs incurred in connection with the refinancing in December 2010, including the premium paid to redeem our 7 3/4% senior subordinated notes due 2014, the write off of debt issue costs and unamortized note premium and discount and settlement of the interest rate swap agreement and other expenses.

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The following table sets forth a reconciliation of net cash provided by operating activities to EBITDA and EBITDA As Defined (in thousands):

	Thirteen Week Periods Ended	
	December 31, 2011	January 1, 2011
Net Cash Provided by Operating Activities	\$ 67,699	\$ 62,148
Adjustments:		
Changes in assets and liabilities, net of effects from acquisitions of businesses	7,702	12,059
Interest expense, net <sup>(1)</sup>	46,445	30,472
Income tax provision - current	35,800	(5,868)
Non-cash equity compensation <sup>(2)</sup>	(3,648)	(1,857)
Excess tax benefit from exercise of stock options	9,050	4,163
Refinancing costs <sup>(3)</sup>	—	(70,730)
EBITDA	163,048	30,387
Adjustments:		
Inventory purchase accounting adjustments <sup>(4)</sup>	3,151	2,732
Acquisition integration costs <sup>(5)</sup>	2,552	3,839
Acquisition transaction-related expenses <sup>(6)</sup>	1,749	1,801
Stock option expense <sup>(7)</sup>	3,648	1,857
Refinancing costs <sup>(3)</sup>	—	70,730
EBITDA from discontinued operations	—	(778)
EBITDA As Defined	<u>\$ 174,148</u>	<u>\$ 110,568</u>

(1) Represents interest expense excluding the amortization of debt issue costs and note premium and discount.

(2) Represents the compensation expense recognized by TD Group under our stock plans.

(3) Represents costs incurred in connection with the refinancing in December 2010, including the premium paid to redeem our 7<sup>3/4</sup>% senior subordinated notes due 2014, the write off of debt issue costs and unamortized note premium and discount and settlement of the interest rate swap agreement and other expenses.

(4) Represents accounting adjustments to inventory associated with acquisitions of businesses and product lines that were charged to cost of sales when the inventory was sold.

(5) Represents costs incurred to integrate acquired businesses and product lines into TD Group's operations, facility relocation costs and other acquisition-related costs.

(6) Represents transaction-related costs comprising deal fees; legal, financial and tax due diligence expenses; and valuation costs that are required to be expensed as incurred.

(7) Represents the compensation expense recognized by TD Group under our stock option plans.

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### Critical Accounting Policies

Our consolidated financial statements have been prepared in accordance with GAAP, which often requires the judgment of management in the selection and application of certain accounting principles and methods. Management believes that the quality and reasonableness of our most critical policies enable the fair presentation of our financial position and results of operations. However, investors are cautioned that the sensitivity of financial statements to these methods, assumptions and estimates could create materially different results under different conditions or using different assumptions.

A summary of our significant accounting policies and estimates is included in the Annual Report on Form 10-K for the year ended September 30, 2011. There have been no other significant changes to our critical accounting policies during the thirteen week period ended December 31, 2011.

### Results of Operations

The following table sets forth, for the periods indicated, certain operating data of the Company, including presentation of the amounts as a percentage of net sales (amounts in thousands):

	Thirteen Week Periods Ended			
	December 31, 2011	% of Sales	January 1, 2011	% of Sales
Net sales	\$ 352,473	100.0%	\$ 233,552	100.0%
Cost of sales	152,918	43.4	106,406	45.6
Selling and administrative expenses	41,850	11.9	30,520	13.1
Amortization of intangible assets	12,439	3.5	4,277	1.8
Income from operations	145,266	41.2	92,349	39.5
Interest expense, net	49,061	13.9	32,556	13.9
Refinancing costs	—	—	70,730	30.3
Income tax provision (benefit)	31,100	8.8	(3,784)	(1.6)
Income (loss) from continuing operations	65,105	18.5	(7,153)	(3.1)
Loss from discontinued operations, net of tax	—	—	(205)	(0.1)
Net income (loss)	\$ 65,105	18.5%	\$ (7,358)	(3.2)%

### Changes in Results of Operations

#### Thirteen week period ended December 31, 2011 compared with the thirteen week period ended January 1, 2011.

- **Net Sales.** Net sales increased by \$118.9 million, or 50.9%, to \$352.5 million for the quarter ended December 31, 2011, from \$233.6 million for the comparable quarter last year. Sales of \$75.9 million, or 32.5%, resulted from the acquisitions of McKechnie Aerospace, Talley Actuation and Schneller Holdings in fiscal 2011 and Harco in fiscal 2012. Organic sales increased by \$43.0 million or 18.4% from the prior year.

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The organic sales growth was primarily due to an increase of \$16.6 million in commercial OEM sales, and an increase of \$18.2 million in commercial aftermarket sales resulting primarily from higher volumes given an improving market demand for aftermarket products. Defense sales increased by \$5.6 million for the quarter ended December 31, 2011 compared to the quarter ended January 1, 2011 mainly driven by increased aftermarket demand.

- **Cost of Sales and Gross Profit.** Cost of sales increased by \$46.5 million, or 43.7%, to \$152.9 million for the thirteen week period ended December 31, 2011 from \$106.4 million for the comparable period last year. The increase in the dollar amount of cost of sales was primarily due to increased volume associated with the net sales from acquisitions and the organic sales growth discussed above, along with an increase in inventory purchase accounting adjustments and acquisition integration costs.

Gross profit as a percentage of sales increased to 56.6% for the thirteen week period ended December 31, 2011 from 54.4% for the thirteen week period ended January 1, 2011. The dollar amount of gross profit increased by \$72.4 million, or 56.9%, to \$199.5 million for the thirteen week period ended December 31, 2011 from \$127.1 million for the thirteen week period ended January 1, 2011. The increase in the amount of gross profit was primarily due to the following items:

- Sales of \$75.9 million from the acquisitions indicated above contributed gross profit of approximately \$37 million for the thirteen week period ended December 31, 2011, which includes the acquisition-related costs (inventory purchase accounting adjustments and acquisition integration costs) incurred in connection with those acquisitions amounting to \$3.8 million. These acquisitions diluted gross profit as a percentage of sales for the thirteen week period ended December 31, 2011 by approximately 2 percentage points.
- Organic sales growth described above, favorable product mix, application of our three core value-driven operating strategies (obtaining profitable new business, continually improving our cost structure, and providing highly engineered value-added products to customers), positive leverage on our fixed overhead costs spread over a higher production volume and the impact of a retroactive contract adjustment with one of our key customers (approximately \$5 million) resulted in increased gross profit amounting to approximately \$35 million for the thirteen week period ended December 31, 2011.

- **Selling and Administrative Expenses.** Selling and administrative expenses increased by \$11.4 million to \$41.9 million, or 11.9% of sales, for the thirteen week period ended December 31, 2011 from \$30.5 million, or 13.1% of sales, for the thirteen week period ended January 1, 2011. The percentage of sales decreased due to lower acquisition related costs of approximately \$1.9 million compared to the prior year quarter. The dollar amount increase is primarily due to higher selling and administrative expenses relating to recent acquisitions of approximately \$8.8 million and an increase in non-cash stock compensation expense of approximately \$1.5 million.

- **Amortization of Intangibles.** Amortization of intangibles increased to \$12.4 million for the thirteen week period ended December 31, 2011 from \$4.3 million for the thirteen week period ended January 1, 2011. The net increase of \$8.1 million was primarily due to amortization expense related to the additional identifiable intangible assets recognized in connection with acquisitions during the last twelve months.

- **Refinancing Costs.** Refinancing costs were recorded as a result of the refinancing of TransDigm's entire debt structure in December 2010. The charge of \$70.7 million consisted of the premium of \$40.7 million paid to redeem our 7<sup>3</sup>/<sub>4</sub>% senior subordinated notes, the write-off of debt issue costs and unamortized note premium and discount of \$25.7 million, and the settlement of the interest rate swap agreement and other expenses of \$4.3 million.

- **Interest Expense-net.** Interest expense increased \$16.5 million, or 50.7%, to \$49.1 million for the thirteen week period ended December 31, 2011 from \$32.6 million for the thirteen week period ended January 1, 2011. The net increase in interest expense-net was primarily due to an increase in the weighted average level of outstanding borrowings, which was approximately \$3.14 billion for the quarter ended December 31, 2011 and approximately \$2.15 billion for the quarter ended January 1, 2011. The increase in borrowings was due to the debt refinancing transactions and the acquisition financing related to McKechnie Aerospace which occurred in December 2010. The weighted average interest rate on total borrowings outstanding at December 31, 2011 was approximately 5.9%.

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- **Income Taxes.** Income tax expense (benefit) as a percentage of income or loss before income taxes was approximately 32.3% for the quarter ended December 31, 2011 compared to 34.6% for the quarter ended January 1, 2011. The lower effective tax rate for the thirteen week period ended December 31, 2011 was primarily due to a non-recurring adjustment (benefit of \$2.6 million) to state income tax expense due to changes in state tax laws.
- **Loss from Discontinued Operations.** Loss from discontinued operations comprises the net loss from discontinued operations of the fastener business and AQS from the date of acquisition (December 6, 2010) through January 1, 2011.
- **Net Income (Loss).** Net income increased \$72.5 million to \$65.1 million for the quarter ended December 31, 2011, compared to a net loss of \$7.4 million for the quarter ended January 1, 2011 primarily as a result of the factors referred to above.
- **Earnings (Loss) per Share.** The basic and diluted earnings (loss) per share was \$1.15 for the quarter ended December 31, 2011 and (\$0.19) for the quarter ended January 1, 2011. Net income for the quarter ended December 31, 2011 of \$65.1 million was decreased by an allocation of dividends to participating securities of \$3.3 million resulting in net income available to common shareholders of \$61.8 million. For the quarter ended January 1, 2011, basic and diluted loss per share from continuing operations was (\$0.19). Net loss for the quarter ended January 1, 2011 of \$7.4 million was increased by an allocation of dividends to participating securities of \$2.8 million resulting in net loss available to shareholders of \$10.2 million.

### **Backlog**

As of December 31, 2011, the Company estimated its sales order backlog at \$777 million compared to an estimated sales order backlog of \$646 million as of January 1, 2011 (excluding businesses sold during fiscal 2011 and accounted for as discontinued operations). The increase in backlog is primarily due to the acquisitions of Schneller Holdings and Harco discussed above, totaling approximately \$38 million and an increase in orders across existing product lines in both the OEM and aftermarket. The majority of the purchase orders outstanding as of December 31, 2011 are scheduled for delivery within the next twelve months. Purchase orders may be subject to cancellation or deferral by the customer prior to shipment. The level of unfilled purchase orders at any given date during the year will be materially affected by the timing of the Company's receipt of purchase orders and the speed with which those orders are filled. Accordingly, the Company's backlog as of December 31, 2011 may not necessarily represent the actual amount of shipments or sales for any future period.

### **Foreign Operations**

Although we manufacture substantially all of our products in the United States, we manufacture some products in Belgium, Malaysia and Mexico. We sell our products in the United States, as well as in foreign countries. A number of risks inherent in international operations could have a material adverse effect on our results of operations, including currency fluctuations, difficulties in staffing and managing multi-national operations, general economic and political uncertainties and potential for social unrest in countries in which we operate, limitations on our ability to enforce legal rights and remedies, restrictions on the repatriation of funds, change in trade policies, tariff regulation, difficulties in obtaining export and import licenses and the risk of government financed competition.

There can be no assurance that foreign governments will not adopt regulations or take other action that would have a direct or indirect adverse impact on the business or market opportunities of the Company within such governments' countries. Furthermore, there can be no assurance that the political, cultural and economic climate outside the United States will be favorable to our operations and growth strategy.

### **Liquidity and Capital Resources**

*Operating Activities.* The Company generated \$67.7 million of cash from operating activities during the thirteen week period ended December 31, 2011 compared to \$62.1 million during the thirteen week period ended January 1, 2011. The net increase of \$5.6 million was due primarily to an increase in income from operations and favorable working capital

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management, partially offset by higher interest payments due to the Company's current debt structure and higher income tax payments.

*Investing Activities.* Cash used in investing activities was \$88.5 million during the thirteen week period ended December 31, 2011 consisting primarily of the acquisition of Harco and capital expenditures of \$4.7 million. Cash used in investing activities was \$1,365.2 million during the thirteen week period ended January 1, 2011 consisting primarily of the acquisitions of McKechnie Aerospace and Talley Actuation and capital expenditures of \$3.0 million.

*Financing Activities.* Cash provided by financing activities during the thirteen week period ended December 31, 2011 was \$4.5 million, which comprised \$3.9 million repayment on our New Senior Secured Credit Facility, \$3.3 million of dividends and Dividend Equivalent Payments, \$0.8 million of treasury stock purchased and \$12.5 million of cash for tax benefits related to share-based payment arrangements and from the exercise of stock options. Cash provided by financing activities during the thirteen week period ended January 1, 2011 was \$1,303.2 million, which comprised \$1,298.9 million of net proceeds from the refinancing of our entire debt structure, \$2.8 million of dividends and dividend equivalent payments, and \$7.1 million of cash for tax benefits related to share-based payment arrangements and from the exercise of stock options.

### *Description of New Senior Secured Credit Facility and Indentures*

In December 2010, TransDigm entered into a senior secured credit facility, which consisted of a \$1.55 billion term loan facility and a \$245 million revolving credit facility (collectively, the "Existing Senior Secured Credit Facility"). The proceeds of the term loan were used to pay the purchase price of and related transaction expenses associated with the acquisition of McKechnie Aerospace and repay a portion of the amounts outstanding under the previous senior secured credit facility.

On February 14, 2011, TransDigm Inc. entered into a new senior secured credit facility which provides for \$1.55 billion term loan facility (the "New Senior Secured Credit Facility"), which was fully drawn on February 14, 2011. The New Senior Secured Credit Facility replaced the term loan under the Existing Senior Secured Credit Facility and modified certain terms of the original agreement including extending the maturity date of the term loan and modifying the interest rate provisions.

On March 25, 2011, TransDigm entered into Amendment No. 1 (the "Amendment") to the Existing Senior Secured Credit Facility. The Amendment provides for a modification to certain terms of the permitted indebtedness covenant contained in the Existing Senior Secured Credit Facility to modify the requirements for incurring certain additional senior indebtedness.

Under the Existing Senior Secured Credit Facility, the revolving credit facility matures in December 2015. At December 31, 2011, the Company had \$8.9 million letters of credit outstanding and \$236.1 million of borrowings available under the Existing Senior Secured Credit Facility.

Under the New Senior Secured Credit Facility, the term loan matures in February 2017. The term loan under the New Senior Secured Credit Facility requires quarterly principal payments that began on March 31, 2011.

The interest rates per annum applicable to the term loan under the New Senior Secured Credit Facility will be, at TransDigm's option, equal to either an alternate base rate or an adjusted LIBO rate for one, two, three or six-month (or to the extent agreed to by each relevant lender, nine or twelve-month) interest periods chosen by TransDigm, in each case plus an applicable margin percentage. The applicable interest rate on the term loan at December 31, 2011 was 4.0%.

On June 27, 2011, the Company entered into three forward-starting interest rate swap agreements beginning December 31, 2012 to hedge the variable interest rates on the New Senior Secured Credit Facility for a fixed rate based on an aggregate notional amount of \$353 million through June 30, 2015. These forward-starting interest rate swap

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agreements will effectively convert the variable interest rate on the aggregate notional amount of the New Senior Secured Credit Facility to a fixed rate of 5.17% over the term of the interest rate swap agreements.

All of the indebtedness outstanding under the credit facilities is guaranteed by TD Group and all of TransDigm's current and future domestic restricted subsidiaries (other than immaterial subsidiaries), and is secured by a first priority security interest in substantially all of the existing and future property and assets, including inventory, equipment, general intangibles, intellectual property, investment property and other personal property (but excluding leasehold interests and certain other assets) of TransDigm and all of TransDigm's existing and future domestic restricted subsidiaries (other than immaterial subsidiaries), and a first priority pledge of the capital stock of TransDigm and its domestic subsidiaries and 65% of the voting capital stock of certain of TransDigm's foreign subsidiaries.

The credit facilities contain certain covenants that limit the ability of TD Group, TransDigm and TransDigm's restricted subsidiaries to, among other things, incur or guarantee additional indebtedness or issue preferred stock, pay distributions on, redeem or repurchase capital stock or redeem or repurchase subordinated debt, make investments, sell assets, enter into agreements that restrict distributions or other payments from restricted subsidiaries to TransDigm, incur or suffer to exist liens securing indebtedness, consolidate, merge or transfer all or substantially all of their assets, and engage in transactions with affiliates. At December 31, 2011, TransDigm was in compliance with all of the covenants contained in the credit facilities.

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The term loan under the New Senior Secured Credit Facility requires mandatory prepayments of principal based on certain percentages of Excess Cash Flow (as therein defined), commencing 90 days after the end of each fiscal year, commencing with the fiscal year ending September 30, 2012, subject to certain exceptions. In addition, subject to certain exceptions (including, with respect to asset sales, the reinvestment in productive assets), TransDigm will be required to prepay the loans outstanding under the term loan facility at 100% of the principal amount thereof, plus accrued and unpaid interest, with the net cash proceeds of certain asset sales and issuance or incurrence of certain indebtedness. In addition, if, prior to February 14, 2012, the principal amount of the term loans are (i) prepaid substantially concurrently with the incurrence by TD Group, TransDigm or any its subsidiaries of new bank loans that have an effective yield lower than the yield in effect on the term loans so prepaid or (ii) received by a lender due to a mandatory assignment following the failure of such lender to consent to an amendment of the New Senior Secured Credit Facility that has the effect of reducing the effective interest rate with respect to the term loans, such prepayment or receipt shall be accompanied by a premium of 1.0%.

In December 2010, TransDigm issued \$1.6 billion in aggregate principal amount of its 7<sup>3/4</sup>% Senior Subordinated Notes due 2018 (the “2018 Notes”) at an issue price of 100% of the principal amount. The 2018 Notes represent unsecured obligations of TransDigm Inc. ranking subordinate to TransDigm Inc.’s senior debt, as defined in the indenture governing the 2018 Notes (the “Indenture”). Such notes do not require principal payments prior to their maturity in December 2018. Interest under the 2018 Notes is payable semi-annually.

TransDigm utilized a portion of the proceeds from the 2018 Notes to repurchase its 7<sup>3/4</sup>% Senior Subordinated Notes due 2014.

### *Certain Restrictive Covenants in Our Debt Documents*

The credit facilities and the Indenture contain restrictive covenants that, among other things, limit the incurrence of additional indebtedness, the payment of dividends, transactions with affiliates, asset sales, acquisitions, mergers and consolidations, liens and encumbrances, and prepayments of other indebtedness. A breach of any of the covenants or an inability to comply with the required leverage ratio could result in a default under the credit facilities or the Indenture. If any such default occurs, the lenders under the credit facilities and the holders of the 2018 Notes may elect to declare all outstanding borrowings, together with accrued interest and other amounts payable thereunder, to be immediately due and payable. The lenders under the credit facilities also have the right in these circumstances to terminate any commitments they have to provide further borrowings. In addition, following an event of default under the credit facilities, the lenders thereunder will have the right to proceed against the collateral granted to them to secure the debt, which includes our available cash, and they will also have the right to prevent us from making debt service payments on the 2018 Notes.

### *Stock Repurchase*

On August 22, 2011 we announced a program permitting us to repurchase a portion of our outstanding shares not to exceed \$100 million in the aggregate. During the thirteen week period ended December 31, 2011, the Company repurchased 11,300 shares of its common stock at a gross cost of approximately \$0.8 million. The program replaces the repurchase program announced on October 23, 2008, under which the Company previously repurchased 494,100 shares of its common stock at a gross cost of approximately \$15.2 million.

### **Recent Accounting Pronouncement**

In May 2011, the Financial Accounting Standard Board (“FASB”) issued authoritative accounting guidance included in Accounting Standards Codification (ASC) Topic 820, “Fair Value Measurement.” This guidance amends the requirements for measuring fair value and disclosing information about fair value measurements. This authoritative guidance was adopted during the first quarter of fiscal 2012. The adoption did not have a material impact on the Company’s financial condition or results of operations.



### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

Our main exposure to market risk relates to interest rates. Our financial instruments that are subject to interest rate risk principally include fixed-rate and floating-rate long-term debt. At December 31, 2011, we had borrowings under our New Senior Secured Credit Facility of \$1.53 billion that were subject to interest rate risk. Borrowings under our New Senior Secured Credit Facility bear interest, at our option, at a rate equal to either an alternate base rate or an adjusted LIBO rate for a one-, two-, three- or six-month (or to the extent available to each lender, nine- or twelve-month) interest period chosen by us, in each case, plus an applicable margin percentage. Accordingly, the Company's cash flows and earnings will be exposed to the market risk of interest rate changes resulting from variable rate borrowings under our New Senior Secured Credit Facility. The effect of a hypothetical one percentage point increase in interest rates would increase the annual interest costs under our New Senior Secured Credit Facility by approximately \$15.3 million based on the amount of outstanding borrowings at December 31, 2011. The weighted average interest rate on the \$1.53 billion of borrowings under our New Senior Secured Credit Facility on December 31, 2011 was 4.0%.

At December 31, 2011, three forward-starting interest rate swap agreements were in place to swap variable rates on the New Senior Secured Credit Facility for a fixed rate based on an aggregate notional amount of \$353 million. Beginning December 31, 2012, these interest rate swap agreements will effectively convert the variable interest rate on the aggregate notional amount of the new senior secured credit facility to a fixed rate of 5.17% through June 30, 2015.

The fair value of the \$1.53 billion aggregate principal amount of borrowings under our New Senior Secured Credit Facility is exposed to the market risk of interest rates. The estimated fair value of such term loan approximated \$1.53 billion at December 31, 2011 based upon information provided to the Company from its agent under the credit facility. The fair value of the \$1.60 billion aggregate principal amount of our 7<sup>3</sup>/<sub>4</sub>% senior subordinated notes due 2018 is exposed to the market risk of interest rate changes. The estimated fair value of such notes approximated \$1.70 billion at December 31, 2011 based upon quoted market rates.

### **ITEM 4. CONTROLS AND PROCEDURES**

As of December 31, 2011, TD Group carried out an evaluation, under the supervision and with the participation of TD Group's management, including its Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial and Accounting Officer), of the effectiveness of the design and operation of TD Group's disclosure controls and procedures. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that TD Group's disclosure controls and procedures are effective to ensure that information required to be disclosed by TD Group in the reports it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported, within the time periods specified by the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to TD Group's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, TD Group's management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in designing and evaluating the controls and procedures. There have been no significant changes in TD Group's internal controls or other factors that could significantly affect the internal controls subsequent to the date of TD Group's evaluations.

#### **Changes in Internal Control over Financial Reporting**

There have been no changes in TD Group's internal control over financial reporting that occurred during the thirteen week period ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, TD Group's internal control over financial reporting.

**PART II: OTHER INFORMATION****ITEM 1A. Risk Factors**

In addition to the other information set forth in this report, you should carefully consider the risk factors disclosed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended September 30, 2011. There have been no material changes to the risk factors set forth therein.

**ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds: Purchases of Equity Securities by the Issuer**

On August 22, 2011, the Board of Directors authorized a common share repurchase program, which was announced on August 23, 2011. Under the terms of the program, the Company may purchase up to a maximum aggregate value of \$100 million of its shares of common stock. During the thirteen week period ended December 31, 2011, the Company repurchased 11,300 shares of its common stock at a gross cost of approximately \$0.8 million at a weighted-average price per share of \$74.87 per share. The program replaces the repurchase program announced on October 23, 2008, under which the Company previously repurchased 494,100 shares of its common stock at a gross cost of approximately \$15.2 million at a weighted-average price per share of \$30.85.

**ISSUER PURCHASES OF EQUITY SECURITIES**

	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased Under the Plans or Programs (in thousands)</b>
October 1-31, 2011	11,300	\$ 74.87	11,300	\$ 99,154
November 1-30, 2011	—	—	11,300	99,154
December 1-31, 2011	—	—	11,300	99,154

**ITEM 6. Exhibits**

- 3.1 Amended and Restated Certificate of Incorporation, filed October 4, 2011, of Harco Laboratories, Incorporated
- 3.2 Amended and Restated By-Laws of Harco Laboratories, Incorporated
- 3.3 Limited Liability Company Certificate of Formation, filed May 30, 2007, of Schneller LLC
- 3.4 Amended and Restated Limited Liability Company Agreement, filed August 31, 2011 of Schneller LLC
- 3.5 Limited Liability Company Certificate of Formation, filed May 30, 2007, of Schneller Holdings LLC
- 3.6 Amended and Restated Limited Liability Company Agreement, filed August 31, 2011 of Schneller Holdings LLC
- 3.7 Articles of Incorporation, filed December 22, 2004, of Schneller International Sales Corp.
- 3.8 Code of Regulations of Schneller International Sales Corp.
- 4.1 Second Supplemental Indenture, dated as of December 9, 2011, among TransDigm Inc., TransDigm Group Incorporated, the guarantors listed on the signature pages thereto and The Bank of New York Mellon Trust Company, N.A., as trustee. (Incorporated by reference to Form 8-K filed December 12, 2011).
- 10.1 Joinder Agreement, dated as of December 9, 2011, between Harco Laboratories, Incorporated and Credit Suisse AG, as agent, to the Credit Agreement, dated as of December 6, 2010, as amended. (Incorporated by reference to Form 8-K filed December 12, 2011).
- 10.2 Joinder Agreement, dated as of December 9, 2011, between Harco Laboratories, Incorporated and Credit Suisse AG, as agent, to the Credit Agreement, dated as of February 14, 2011. (Incorporated by reference to Form 8-K filed December 12, 2011).
- 10.3 Supplement No. 2. dated as of December 9, 2011, between Harco Laboratories, Incorporated and Credit Suisse AG, as agent. (Incorporated by reference to Form 8-K filed December 12, 2011).
- 10.4 Form of Option Agreement under the stock incentive program adopted under the 2006 Stock Incentive Plan (in the form of options granted in fiscal 2012)\*
- 31.1 Certification by Principal Executive Officer of TransDigm Group Incorporated pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification by Principal Financial Officer of TransDigm Group Incorporated pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification by Principal Executive Officer of TransDigm Group Incorporated pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification by Principal Executive Officer of TransDigm Group Incorporated pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101 Financial Statements and Notes to the Condensed Consolidated Financial Statements formatted in XBRL.

\* Indicates management contract or compensatory plan contract or arrangement.

**SIGNATURES**

TRANSDIGM GROUP INCORPORATED

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 thereunto duly assigned.

SIGNATURE	TITLE	DATE
<u>/s/ W. Nicholas Howley</u> W. Nicholas Howley	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	February 8, 2012
<u>/s/ Gregory Rufus</u> Gregory Rufus	Executive Vice President, Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)	February 8, 2012

**EXHIBIT INDEX**  
**TO FORM 10-Q FOR THE PERIOD ENDED DECEMBER 31, 2011**

<u>EXHIBIT NO.</u>	<u>DESCRIPTION</u>
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10.1	Joinder Agreement, dated as of December 9, 2011, between Harco Laboratories, Incorporated and Credit Suisse AG, as agent, to the Credit Agreement, dated as of December 6, 2010, as amended. (Incorporated by reference to Form 8-K filed December 12, 2011).
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101	Financial Statements and Notes to the Condensed Consolidated Financial Statements formatted in XBRL.

\* Indicates management contract or compensatory plan contract or arrangement.

**HARCO LABORATORIES, INCORPORATED****AMENDED AND RESTATED  
CERTIFICATE OF INCORPORATION**

The undersigned officer of Harco Laboratories, Incorporated, a corporation organized and existing under the laws of the State of Connecticut (the "Corporation"), hereby certifies pursuant to the Business Corporation Act of the State of Connecticut, as amended from time to time (the "Act"), that:

1. *The name of the Corporation is Harco Laboratories, Incorporated.*
2. *The original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Connecticut on September 23, 1954 and was amended on October 26, 1993, July 26, 2004 and November 3, 2004 (the "Certificate").*
3. *This Amended and Restated Certificate of Incorporation of the Corporation is being filed in accordance with the provisions of the Act and amends the Corporation's Certificate as follows:*

**Paragraph FIRST shall be deleted in its entirety and the following Paragraph FIRST shall be substituted in its stead:**

**FIRST:** That the name of the Corporation is Harco Laboratories, Incorporated.

**Paragraph SECOND shall be deleted in its entirety and the following Paragraph SECOND shall be substituted in its stead:**

**SECOND:** The purpose for which the Corporation is organized is to engage in any activity within the purposes for which corporations may be organized under the Business Corporation Act of the State of Connecticut, as amended (the "Act").

**Paragraph THIRD shall be deleted in its entirety and the following Paragraph THIRD shall be substituted in its stead:**

**THIRD:** The aggregate number of shares which the Corporation shall have the authority to issue is Four Thousand Eight Hundred (4,800) shares of Common Stock, \$1.00 par value, itemized by class as follows:

<u>Class</u>	<u>Number</u>
Class A Common Stock	1,200
Class B Common Stock	3,600

The entire voting power of the Corporation shall be vested in the Class A Common Stock, except in the case of those actions for which the vote of any other class of stock shall be required by the Act. Except with respect to voting power, the terms, limitations and relative rights and preferences of the Corporation's Class A Common Stock and Class B Common Stock shall be identical.

**Paragraph FOURTH shall be deleted in its entirety and the following Paragraph FOURTH shall be substituted in its stead:**

**FOURTH:** The address of the Corporation's current registered office is 1100 Summer Street, Stamford, Connecticut 06905, and the name of its current registered agent at such address is Robert P. Masotti.

**Paragraph FIFTH shall be deleted in its entirety and the following Paragraph FIFTH shall be substituted in its stead:**

**FIFTH:** The personal liability of any director to the Corporation or its shareholders for monetary damages for breach of duty as a director is hereby limited to the amount of the compensation received by the director for serving the Corporation during the year of the violation if such breach did not (a) involve a knowing and culpable violation of law by the director; (b) enable the director or an associate, as defined in subdivision (2) of Section 33-840 of the Act, to receive an improper personal economic gain; (c) show a lack of good faith and a conscious disregard for the duty of the director to the Corporation under circumstances in which the director was aware that his conduct or omission created an unjustifiable risk of serious injury to the Corporation; (d) constitute a sustained and unexcused pattern of inattention that amounted to an abdication of the director's duty to the Corporation; or (e) create liability under Section 33-757 of the Act. Any lawful repeal or modification of this provision shall not adversely affect any right or protection of a director existing at or prior to the time of such repeal or modification.

**Paragraph SIXTH shall be deleted in its entirety and the following Paragraph SIXTH shall be substituted in its stead:**

**SIXTH:** (a) The Corporation shall, to the fullest extent permitted by the Act, indemnify its directors and officers for liability (including any obligation to pay a judgment,

settlement, penalty, fine or excise tax, or reasonable expenses incurred with respect to any proceeding) to any person for any action taken, or any failure to take any action, as a director or officer, except liability that (i) involved a knowing and culpable violation of law by the director or officer; (ii) enabled the director or officer or an associate, as defined in subdivision (2) of Section 33-840 of the Act, to receive an improper personal economic gain; (iii) showed a lack of good faith and a conscious disregard for the duty of the director or officer to the Corporation under circumstances in which the director or officer was aware that his conduct or omission created an unjustifiable risk of serious injury to the Corporation; (iv) constituted a sustained and unexcused pattern of inattention that amounted to an abdication of the director's or officer's duty to the Corporation; or (v) created liability under Section 33-757 of the Act. For purposes of this Article, a "proceeding" shall include any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitral or investigative and whether formal or informal. Any lawful repeal or modification of this provision shall not adversely affect any right or protection of a director or officer existing at or prior to the time of such repeal or modification. The indemnification provided for herein shall not be deemed exclusive of any other rights to indemnification, whether under the Bylaws or any agreement, by vote of shareholders or disinterested directors or otherwise.

(b) The indemnification rights provided in this Article shall inure to the benefit of the heirs, executors and administrators of the director or officer.

(c) Expenses incurred by a director or officer in defending a proceeding shall be paid by the Corporation in advance of the final disposition of such proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall be ultimately determined that such director or officer is not entitled to be indemnified by the Corporation as authorized by the Act.

(d) For purposes of Article and the Article preceding, references to directors and officers shall include former directors and officers.

**The AMENDMENT filed on October 26, 1993 shall be deleted in its entirety.**

**The AMENDMENT filed on July 26, 2004 titled "SCHEDULE A" shall be deleted in its entirety.**

**The AMENDMENT filed on November 3, 2004 shall be deleted in its entirety.**

4. *The Corporation's Certificate, as amended, is hereby restated in its entirety to read as follows:*



**HARCO LABORATORIES, INCORPORATED**

**AMENDED AND RESTATED  
CERTIFICATE OF INCORPORATION**

**FIRST:** That the name of the Corporation is Harco Laboratories, Incorporated.

**SECOND:** The purpose for which the Corporation is organized is to engage in any activity within the purposes for which corporations may be organized under the Business Corporation Act of the State of Connecticut, as amended (the "Act").

**THIRD:** The aggregate number of shares which the Corporation shall have the authority to issue is Four Thousand Eight Hundred (4,800) shares of Common Stock, \$1.00 par value, itemized by class as follows:

<u>Class</u>	<u>Number</u>
Class A Common Stock	1,200
Class B Common Stock	3,600

The entire voting power of the Corporation shall be vested in the Class A Common Stock, except in the case of those actions for which the vote of any other class of stock shall be required by the Act. Except with respect to voting power, the terms, limitations and relative rights and preferences of the Corporation's Class A Common Stock and Class B Common Stock shall be identical.

**FOURTH:** The address of the Corporation's current registered office is 1100 Summer Street, Stamford, Connecticut 06905, and the name of its current registered agent at such address is Robert P. Masotti.

**FIFTH:** The personal liability of any director to the Corporation or its shareholders for monetary damages for breach of duty as a director is hereby limited to the amount of the compensation received by the director for serving the Corporation during the year of the violation if such breach did not (a) involve a knowing and culpable violation of law by the director; (b) enable the director or an associate, as defined in subdivision (2) of Section 33-840 of the Act, to receive an improper personal economic gain; (c) show a lack of good faith and a conscious disregard for the duty of the director to the Corporation under circumstances in which the director was aware that his conduct or omission created an unjustifiable risk of serious injury to the Corporation; (d) constitute a sustained and unexcused pattern of inattention that amounted to an abdication of the director's duty to the Corporation; or (e) create liability under Section 33-757 of the Act. Any lawful repeal or modification of this provision shall not adversely affect any right or protection of a director existing at or prior to the time of such repeal or modification.

**SIXTH:** (a) The Corporation shall, to the fullest extent permitted by the Act, indemnify its directors and officers for liability (including any obligation to pay a judgment,

settlement, penalty, fine or excise tax, or reasonable expenses incurred with respect to any proceeding) to any person for any action taken, or any failure to take any action, as a director or officer, except liability that (i) involved a knowing and culpable violation of law by the director or officer; (ii) enabled the director or officer or an associate, as defined in subdivision (2) of Section 33-840 of the Act, to receive an improper personal economic gain; (iii) showed a lack of good faith and a conscious disregard for the duty of the director or officer to the Corporation under circumstances in which the director or officer was aware that his conduct or omission created an unjustifiable risk of serious injury to the Corporation; (iv) constituted a sustained and unexcused pattern of inattention that amounted to an abdication of the director's or officer's duty to the Corporation; or (v) created liability under Section 33-757 of the Act. For purposes of this Article, a "proceeding" shall include any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative and whether formal or informal. Any lawful repeal or modification of this provision shall not adversely affect any right or protection of a director or officer existing at or prior to the time of such repeal or modification. The indemnification provided for herein shall not be deemed exclusive of any other rights to indemnification, whether under the Bylaws or any agreement, by vote of shareholders or disinterested directors or otherwise.

(b) The indemnification rights provided in this Article shall inure to the benefit of the heirs, executors and administrators of the director or officer.

(c) Expenses incurred by a director or officer in defending a proceeding shall be paid by the Corporation in advance of the final disposition of such proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall be ultimately determined that such director or officer is not entitled to be indemnified by the Corporation as authorized by the Act.

(d) For purposes of Article and the Article preceding, references to directors and officers shall include former directors and officers.

5. *This Amended and Restated Certificate of Incorporation was duly approved by the Board of Directors of the Corporation by a unanimous written consent dated as of October 4th, 2011 and was duly adopted by the shareholders of the Corporation by a written consent dated as of October 4th, 2011 in the manner required by Sections 33-600 to 33-998 of the Act, and by the Certificate of Incorporation. The number of shares entitled to vote on the adoption of the Amended and Restated Certificate of Incorporation was 1,200 shares of Class A Common Stock, all of which voted for the Amended and Restated Certificate of Incorporation.*
6. *This Amended and Restated Certificate of Incorporation of the Corporation consolidates all amendments into a single document.*
7. *This Amended and Restated Certificate of Incorporation of the Corporation shall become effective upon filing.*

IN WITNESS WHEREOF, this Certificate has been executed this 4th day of October, 2011.

**HARCO LABORATORIES, INCORPORATED**

By:   /s/ Robert P. Massotti

Robert P. Masotti

Its President

AMENDED AND RESTATED BY-LAWS  
OF  
HARCO LABORATORIES, INCORPORATED

ARTICLE I

Meetings of Stockholders

Section 1. Annual Meetings. The annual meeting of stockholders shall be held at such time and place and on such date in each year as may be fixed by the board of directors and stated in the notice of the meeting, for the election of directors, the consideration of reports to be laid before such meeting and the transaction of such other business as may properly come before the meeting.

Section 2. Special Meetings. Special meetings of the stockholders shall be called upon the written request of the chairman of the board of directors, the chief executive officer, the president, the directors by action at a meeting, a majority of the directors acting without a meeting, or of the holders of shares entitling them to exercise a majority of the voting power of the Corporation entitled to vote thereat. Calls for such meetings shall specify the purposes thereof. No business other than that specified in the call shall be considered at any special meeting.

Section 3. Notices of Meetings. Unless waived, and except as provided in Section 33-699 of the Connecticut Business Corporation Act, written notice of each annual or special meeting stating the date, time, place and purposes thereof shall be given by personal delivery or by mail to each stockholder of record entitled to vote at or entitled to notice of the meeting, not more than sixty days nor less than ten days before any such meeting. If mailed, such notice shall be directed to the stockholder at his address as the same appears upon the records of the Corporation. Any stockholder, either before or after any meeting, may waive any notice required to be given by law or under these By-laws.

Section 4. Place of Meetings. Meetings of stockholders shall be held at the principal office of the Corporation unless the board of directors determines that a meeting shall be held at some other place within or without the State of Connecticut and causes the notice thereof to so state.

Section 5. Quorum. The holders of shares entitling them to exercise a majority of the voting power of the Corporation entitled to vote at any meeting, present in person or by proxy, shall constitute a quorum for the transaction of business to be considered at such meeting; provided, however, that no action required by law or by the Certificate of Incorporation or these By-laws to be authorized or taken by the holders of a designated proportion of the shares of any particular class or of each class may be authorized or taken by a lesser proportion; and provided, further, that if a separate class vote is required with respect to any matter, the holders of a majority of the outstanding shares of such class, present in person or by proxy, shall constitute a quorum of such class, and the affirmative vote of the majority of shares of such class so present shall be the act of such class. The holders of a majority of the voting shares represented at a meeting, whether or not a quorum is present, may adjourn such meeting from time to time, until a quorum shall be present.

Section 6. Record Date. The board of directors may fix a record date for any lawful purpose, including, without limiting the generality of the foregoing, the determination of stockholders entitled to (i) receive notice of or to vote at any meeting of stockholders or any adjournment thereof or to express consent to corporate action in writing without a meeting, (ii) receive payment of any dividend or other distribution or allotment of any rights, or (iii) exercise any rights in respect of any change, conversion or exchange of stock. Such record date shall not precede the date on which the resolution fixing the record date is adopted by the board of directors. Such record date shall not be more than sixty days nor less than ten days before the date of such meeting, nor more than sixty days before the date fixed for the payment of any dividend or distribution or the date fixed for the receipt or the exercise of rights, nor more than ten days after the date on which the resolution fixing the record date for such written consent is adopted by the board of directors, as the case may be.

If a record date shall not be fixed in respect of any such matter, the record date shall be determined in accordance with the Connecticut Business Corporation Act.

Section 7. Proxies. A person who is entitled to attend a stockholders' meeting, to vote thereat, or to execute consents, waivers or releases, may be represented at such meeting or vote thereat, and execute consents, waivers and releases, and exercise any of his other rights, by proxy or proxies appointed by a writing signed by such person.

## ARTICLE II

### Directors

Section 1. Number of Directors. Until changed in accordance with the provisions of this section, the number of directors of the Corporation, none of whom need be stockholders, shall be no fewer than two (2) and no more than three (3). The number of directors may be fixed or changed by amendment of these By-laws or by resolution of the board of directors.

Section 2. Election of Directors. Directors shall be elected at the annual meeting of stockholders, but when the annual meeting is not held or directors are not elected thereat, they may be elected at a special meeting called and held for that purpose. Such election shall be by ballot whenever requested by any stockholder entitled to vote at such election, but unless such request is made the election may be conducted in any manner approved at such meeting.

At each meeting of stockholders for the election of directors, the persons receiving the greatest number of votes shall be directors.

Section 3. Term of Office. Each director shall hold office until the annual meeting next succeeding his election and until his successor is elected and qualified, or until his earlier resignation, removal from office or death.

Section 4. Removal. All the directors, or all the directors of a particular class, or any individual director may be removed from office, without assigning any cause, by the vote of the holders of a majority of the voting power entitling them to elect directors in place of those to be removed.

Section 5. Vacancies. Vacancies in the board of directors may be filled by a majority vote of the remaining directors until an election to fill such vacancies is held. Stockholders entitled to elect directors shall have the right to fill any vacancy in the board (whether the same has been temporarily filled by the remaining directors or not) at any meeting of the stockholders called for that purpose, and any directors elected at any such meeting of stockholders shall serve until the next annual election of directors and until their successors are elected and qualified.

Section 6. Quorum and Transaction of Business. A majority of the whole authorized number of directors shall constitute a quorum for the transaction of business, except that a majority of the directors in office shall constitute a quorum for filling a vacancy on the board. Whenever less than a quorum is present at the time and place appointed for any meeting of the board, a majority of those present may adjourn the meeting from time to time, until a quorum shall be present. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the board. The board of directors may act in writing without a meeting, but no such action of the board of directors shall be effective unless concurred in by all directors.

Section 7. Annual Meeting. Annual meetings of the board of directors shall be held immediately following annual meetings of the stockholders, or as soon thereafter as is practicable. If no annual meeting of the stockholders is held, or if directors are not elected thereat, then the annual meeting of the board of directors shall be held immediately following any special meeting of the stockholders at which directors are elected, or as soon thereafter as is practicable. If such annual meeting of directors is held immediately following a meeting of the stockholders, it shall be held at the same place at which such stockholders' meeting was held.

Section 8. Regular Meetings. Regular meetings of the board of directors shall be held at such times and places, within or without the State of Connecticut, as the board of directors may, by resolution, from time to time determine. The secretary shall give notice of each such resolution to any director who was not present at the time the same was adopted, but no further notice of such regular meeting need be given.

Section 9. Special Meetings. Special meetings of the board of directors may be called by the chairman of the board, the chief executive officer, the president, any vice president or any two members of the board of directors, and shall be held at such times and places, within or without the State of Connecticut, as may be specified in such call.

Section 10. Notice of Annual or Special Meetings. Notice of the time and place of each annual or special meeting shall be given to each director by the secretary or by the person or persons calling such meeting. Such notice need not specify the purpose or purposes of the meeting and may be given in any manner or method and at such time so that the director receiving it may have reasonable opportunity to attend the meeting. Such notice shall, in all events, be deemed to have been properly and duly given if mailed at least forty-eight hours prior to the meeting and directed to the residence of each director as shown upon the secretary's records. The giving of notice shall be deemed to have been waived by any director who shall attend and participate in such meeting and may be waived, in writing, by any director either before or after such meeting.

Section 11. Compensation. The directors, as such, shall be entitled to receive such reasonable compensation, if any, for their services as may be fixed from time to time by resolution of the board, and expenses of attendance, if any, may be allowed for attendance at each annual, regular or special meeting of the board. Nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of the executive committee or of any standing or special committee may by resolution of the board be allowed such compensation for their services as the board may deem reasonable, and additional compensation may be allowed to directors for special services rendered.

### ARTICLE III

#### Committees

Section 1. Executive Committee. The board of directors may from time to time, by resolution passed by a majority of the whole board, create an executive committee of three or more directors, the members of which shall be elected by the board of directors to serve during the pleasure of the board. If the board of directors does not designate a chairman of the executive committee, the executive committee shall elect a chairman from its own number. Except as otherwise provided herein and in the resolution creating an executive committee, such committee shall, during the intervals between the meetings of the board of directors, possess and may exercise all of the powers of the board of directors in the management of the business and affairs of the Corporation, other than that of filling vacancies among the directors or in any committee of the directors or except as provided by law. The executive committee shall keep full records and accounts of its proceedings and transactions. All action by the executive committee shall be reported to the board of directors at its meeting next succeeding such action and shall be subject to control, revision and alteration by the board of directors, provided that no rights of third persons shall be prejudicially affected thereby. Vacancies in the executive committee shall be filled by the directors, and the directors may appoint one or more directors as alternate members of the committee who may take the place of any absent member or members at any meeting.

Section 2. Meetings of Executive Committee. Subject to the provisions of these By-laws, the executive committee shall fix its own rules of procedure and shall meet as provided by such rules or by resolutions of the board of directors, and it shall also meet at the call of the chairman of the board, the chief executive officer, the president, the chairman of the executive committee or any two members of the committee. Unless otherwise provided by such rules or by such resolutions, the provisions of Section 10 of Article II relating to the notice required to be given of meetings of the board of directors shall also apply to meetings of the members of the executive committee. A majority of the executive committee shall be necessary to constitute a quorum. The executive committee may act in writing without a meeting, but no such action of the executive committee shall be effective unless concurred in by all members of the committee.

Section 3. Other Committees. The board of directors may by resolution provide for such other standing or special committees as it deems desirable, and discontinue the same at its pleasure. Each such committee shall have such powers and perform such duties, not inconsistent with law, as may be delegated to it by the board of directors. The provisions of Section 1 and Section 2 of this Article shall govern the appointment and action of such

committees so far as consistent, unless otherwise provided by the board of directors. Vacancies in such committees shall be filled by the board of directors or as the board of directors may provide.

#### ARTICLE IV

##### Officers

Section 1. General Provisions. The board of directors shall elect a president, such number of vice presidents, if any, as the board may from time to time determine, a secretary and a treasurer. The board of directors may also elect a chairman of the board of directors and may from time to time create such offices and appoint such other officers, subordinate officers and assistant officers as it may determine. The chairman of the board, if one be elected, shall be, but the other officers need not be, chosen from among the members of the board of directors. Any two or more of such offices, other than those of president and vice president, may be held by the same person, but no officer shall execute, acknowledge or verify any instrument in more than one capacity.

Section 2. Term of Office. The officers of the Corporation shall hold office during the pleasure of the board of directors, and, unless sooner removed by the board of directors, until the annual meeting of the board of directors following the date of their election and until their successors are chosen and qualified. The board of directors may remove any officer at any time, with or without cause. Subject to the provisions of Section 6 of Article V of these By-laws, a vacancy in any office, however created, shall be filled by the board of directors.

#### ARTICLE V

##### Duties of Officers

Section 1. Chairman of the Board. The chairman of the board, if any, shall preside at all meetings of the board of directors and meetings of stockholders and shall have such other powers and duties as may be prescribed by the board of directors.

Section 2. Chief Executive Officer. The chief executive officer, if any, shall have, subject to the powers of the board of directors, charge of the overall general direction of the business and affairs of the Corporation, control of the general policies relating to all aspects of the Corporation's business operations, and the power to fix the compensation of officers and the power to remove officers. In the absence of the chairman of the board, or if none be elected, the chief executive officer shall preside at meetings of stockholders. The chief executive officer may appoint and discharge agents and employees and perform such other duties as are incident to such office. The chief executive officer shall have such other powers and perform such other duties as may be prescribed by the board of directors or as may be provided in these By-laws. In the absence or disability of the officer designated as chief executive officer, the president shall perform any and all duties of the chief executive officer



Section 3. President. The president shall be the chief operating officer of the Corporation and shall have such other powers and duties as may be prescribed by the board of directors or the chief executive officer. The president shall have authority to sign all certificates for shares and all deeds, mortgages, bonds, agreements, notes, and other instruments requiring his signature; and shall have all the powers and duties prescribed by the Connecticut Business Corporation Act and such others as the board of directors may from time to time assign to him.

Section 4. Vice Presidents. The vice presidents shall have such powers and duties as may from time to time be assigned to them by the board of directors, the chief executive officer or the president. At the request of the chief executive officer or the president, or in the case of his absence or disability, the vice president designated by the president (or in the absence of such designation, the vice president designated by the board) shall perform all the duties of the president and, when so acting, shall have all the powers of the president. The authority of vice presidents to sign in the name of the Corporation certificates for shares and deeds, mortgages, bonds, agreements, notes and other instruments shall be coordinate with like authority of the president.

Section 5. Secretary. The secretary shall keep minutes of all the proceedings of the stockholders and the board of directors and shall make proper record of the same, which shall be attested by him; shall have authority to execute and deliver certificates as to any of such proceedings and any other records of the Corporation; shall have authority to sign all certificates for shares and all deeds, mortgages, bonds, agreements, notes and other instruments to be executed by the Corporation which require his signature; shall give notice of meetings of stockholders and directors; shall produce on request at each meeting of stockholders a certified list of stockholders arranged in alphabetical order; shall keep such books and records as may be required by law or by the board of directors; and, in general, shall perform all duties incident to the office of secretary and such other duties as may from time to time be assigned to him by the board of directors, the chief executive officer or the president.

Section 6. Treasurer. The treasurer shall have general supervision of all finances; he shall have in charge all money, bills, notes, deeds, leases, mortgages and similar property belonging to the Corporation, and shall do with the same as may from time to time be required by the board of directors. He shall cause to be kept adequate and correct accounts of the business transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, stated capital and shares, together with such other accounts as may be required; and he shall have such other powers and duties as may from time to time be assigned to him by the board of directors, the chief executive officer or the president.

Section 7. Assistant and Subordinate Officers. Each other officer shall perform such duties as the board of directors, the chief executive officer or the president may prescribe. The board of directors may, from time to time, authorize any officer to appoint and remove subordinate officers, to prescribe their authority and duties, and to fix their compensation.

Section 8. Duties of Officers May Be Delegated. In the absence of any officer of the Corporation, or for any other reason the board of directors may deem sufficient, the board of directors may delegate, for the time being, the powers or duties, or any of them, of such officers to any other officer or to any director.

## ARTICLE VI

### Indemnification and Insurance

Section 1. Indemnification in Non-Derivative Actions. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director, officer, member, manager, employee or agent of another corporation, limited liability company, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

Section 2. Indemnification in Derivative Actions. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director, officer, member, manager, employee or agent of another corporation, limited liability company, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper.

Section 3. Indemnification as a Matter of Right. To the extent that a director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 1 and 2 of this Article VI, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

Section 4. Determination of Conduct. Any indemnification under Sections 1 and 2 of this Article VI (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of

conduct set forth in Sections 1 and 2 of this Article VI. Such determination shall be made (1) by the board of directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the stockholders.

Section 5. Advance Payment of Expenses. Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized in this section.

Section 6. Nonexclusivity. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VI shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any by-law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office.

Section 7. Liability Insurance. The Corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, member, manager, employee or agent of another corporation, limited liability company, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this section.

Section 8. Corporation. For purposes of this Article VI, references to “the Corporation” shall include, in addition to the resulting entity, any constituent entity (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, members, managers and employees or agents, so that any person who is or was a director, officer, member, manager, employee or agent of such constituent entity, or is or was serving at the request of such constituent entity as a director, officer, member, manager, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article VI with respect to the resulting or surviving entity as he would have with respect to such constituent entity if its separate existence had continued.

Section 9. Employee Benefit Plans. For purposes of this Article VI, references to any “other enterprise” shall include employee benefit plans; references to “fines” shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to “serving at the request of the Corporation” shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner “not opposed to the best interests of the Corporation” as referred to in this Article VI.

Section 10. Continuation. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VI shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

## ARTICLE VII

### Certificates for Shares

Section 1. Form and Execution. Certificates for shares, certifying the number of full-paid shares owned, shall be issued to each stockholder in such form as shall be approved by the board of directors. Such certificates shall be signed by the chairman or vice-chairman of the board of directors, the chief executive officer or the president or a vice president and by the secretary or an assistant secretary or the treasurer or an assistant treasurer; provided, however, that the signatures of any of such officers and the seal of the Corporation upon such certificates may be facsimiles, engraved, stamped or printed. If any officer or officers who shall have signed, or whose facsimile signature shall have been used, printed or stamped on any certificate or certificates for shares, shall cease to be such officer or officers, because of death, resignation or otherwise, before such certificate or certificates shall have been delivered by the Corporation, such certificate or certificates shall nevertheless be as effective in all respects as though signed by a duly elected, qualified and authorized officer or officers, and as though the person or persons who signed such certificate or certificates, or whose facsimile signature or signatures shall have been used thereon, had not ceased to be an officer or officers of the Corporation.

Section 2. Registration of Transfer. Any certificate for shares of the Corporation shall be transferable in person or by attorney upon the surrender thereof to the Corporation or any transfer agent therefor (for the class of shares represented by the certificate surrendered) properly endorsed for transfer and accompanied by such assurances as the Corporation or such transfer agent may require as to the genuineness and effectiveness of each necessary endorsement.

Section 3. Lost, Destroyed or Stolen Certificates. A new share certificate or certificates may be issued in place of any certificate theretofore issued by the Corporation which is alleged to have been lost, destroyed or wrongfully taken upon (i) the execution and delivery to the Corporation by the person claiming the certificate to have been lost, destroyed or wrongfully taken of an affidavit of that fact, specifying whether or not, at the time of such alleged loss, destruction or taking, the certificate was endorsed, and (ii) the furnishing to the Corporation of indemnity and other assurances, if any, satisfactory to the Corporation and to all transfer agents and registrars of the class of shares represented by the certificate against any and all losses, damages, costs, expenses or liabilities to which they or any of them may be subjected by reason of the issue and delivery of such new certificate or certificates or in respect of the original certificate.

Section 4. Registered Stockholders. A person in whose name shares are of record on the books of the Corporation shall conclusively be deemed the unqualified owner and holder thereof for all purposes and to have capacity to exercise all rights of ownership. Neither the Corporation nor any transfer agent of the Corporation shall be bound to recognize any equitable interest in or claim to such shares on the part of any other person, whether disclosed upon such

certificate or otherwise, nor shall they be obliged to see to the execution of any trust or obligation.

ARTICLE VIII

Fiscal Year

The fiscal year of the Corporation shall end on such date in each year as shall be designated from time to time by the board of directors. In the absence of such designation, the fiscal year of the Corporation shall end on September 30 in each year.

ARTICLE IX

Seal

The board of directors may provide a suitable seal containing the name of the Corporation. If deemed advisable by the board of directors, duplicate seals may be provided and kept for the purposes of the Corporation.

ARTICLE X

Amendments

These By-laws shall be subject to alteration, amendment, repeal, or the adoption of new By-laws either by the affirmative vote or written consent of a majority of the whole board of directors, or by the affirmative vote or written consent of the holders of record of a majority of the outstanding stock of the Corporation, present in person or represented by proxy and entitled to vote in respect thereof, given at an annual meeting or at any special meeting at which a quorum shall be present.

State of Delaware  
Secretary of State  
Division of Corporations  
Delivered 10:42 AM 05/30/2007  
FILED 10:42 AM 05/30/2007  
SRV 070639004 - 4357552 FILE

**STATE OF DELAWARE  
LIMITED LIABILITY COMPANY  
CERTIFICATE OF FORMATION**

The undersigned, an authorized natural person, for the purpose of forming a limited liability company, under the provisions and subject to the requirements of the State of Delaware (particularly Chapter 18, Title 6 of the Delaware Code and the acts amendatory thereof and supplemental thereto, and known, identified and referred to as the "Delaware Limited Liability Company Act"), hereby certifies that:

- First:** The name of the limited liability company is Schneller LLC.
- Second:** The address of its registered office in the State of Delaware is 2711 Centerville Road, Suite 400, in the City of Wilmington, 19808. The name of the registered agent at such address is Corporation Service Company.
- Third:** The term of existence shall be perpetual.

Executed this 30<sup>th</sup> day of May 2007.

By: \_\_\_\_\_ /s/ Jedediah Ande  
Jedediah Ande, Authorized Person

**AMENDED AND RESTATED**  
**LIMITED LIABILITY COMPANY AGREEMENT**  
**OF**  
**SCHNELLER LLC**

The undersigned, being the sole member of Schneller LLC, a Delaware limited liability company (the "Company"), does hereby execute this Amended and Restated Limited Liability Company Agreement of the Company effective as of the 31st day of August, 2011. The Company was formed as a Delaware limited liability company on the 30th day of May, 2007, upon the filing of its Certificate of Formation with the Secretary of State of the State of Delaware.

**ARTICLE I**

**MEMBER**

Schneller Holdings LLC shall be, and is, hereby admitted to the Company as the sole member of the Company (the "Member").

**ARTICLE II**

**OFFICE**

The principal office of the Company shall be located at 6019 Powdermill Road, Kent, Ohio 44240 (the "Principal Office"). The Company may have such other offices as the Member may designate or as the business of the Company may require.

**ARTICLE III**

**PURPOSE**

The purpose for which the Company is organized is to conduct any lawful business purposes as defined in Section 18-106 of the Delaware Limited Liability Company Act (the "Act"). The Company shall have all of the powers granted to a limited liability company under the laws of the State of Delaware.

**ARTICLE IV**

**DURATION OF THE COMPANY**

The Company shall continue in perpetuity unless terminated sooner by operation of law or by decision of the Member.

**ARTICLE V**

**CAPITAL CONTRIBUTIONS**

The Member may in the future contribute any additional capital deemed necessary by the Member for the operation of the Company.

**ARTICLE VI**

**OWNERSHIP OF MEMBERSHIP INTERESTS**

The Member shall own all of the membership interests in the Company and the Member shall have a 100% distributive share of the Company's profits, losses and cash flow.

**ARTICLE VII**

**MANAGEMENT**

The Member will manage the affairs of the Company, but shall be entitled to appoint or authorize representatives, including, but not limited to, such officers as the Member may deem necessary, to act on behalf of the Company and to delegate the authority otherwise reserved to the Member to such representatives. The signature of the Member of the Company shall be sufficient to bind the Company with respect to any matter on which the Member shall be required or entitled to act. The Member has the power, on behalf of the Company, to do all things necessary or convenient to carry out the business and affairs of the Company. A copy of this Limited Liability Company Agreement may be shown to third parties (and all third parties may rely hereupon) in order to confirm the identity and authorization of the Member.

**ARTICLE VIII**

**BOOKS AND RECORDS**

The Company books shall be maintained at the Principal Office. The books shall be kept on a calendar year basis, and shall be closed and balanced at the end of each such year. The Member shall cause all known business transactions pertaining to the purpose of the Company to be entered properly and completely into said book. The Member will prepare and file on behalf of the Company all tax returns in a timely manner.

**ARTICLE IX**

**AMENDMENTS**

This Limited Liability Company Agreement may be amended by a written instrument adopted by the Member and executed by the Member at any time, for any purpose, at the sole discretion of the Member.

**ARTICLE X**

**INDEMNIFICATION**

Section 1. Indemnification in Non-Derivative Actions. The Company shall indemnify any person who was or is a party or is threatened to be made a party to any threatened,



pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Company) by reason of the fact that he is or was a member, manager, director or officer of the Company, or is or was serving at the request of the Company as a member, manager, director, officer, employee or agent of another corporation, limited liability company, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

Section 2. Indemnification in Derivative Actions. The Company shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Company to procure a judgment in its favor by reason of the fact that he is or was a member, manager, director or officer of the Company, or is or was serving at the request of the Company as a member, manager, director, officer, employee or agent of another corporation, limited liability company, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Company unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 3. Indemnification as a Matter of Right. To the extent that a manager, director, officer, employee or agent of the Company has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 1 and 2 of this Article X, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

Section 4. Determination of Conduct. Any indemnification under Sections 1 and 2 of this Article X (unless ordered by a court) shall be made by the Company only as authorized in the specific case upon a determination that indemnification of the manager, director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in Sections 1 and 2 of this Article X. Such determination shall be made by the Member, or, if the Member so elects, by independent legal counsel in a written opinion.

Section 5. Advance Payment of Expenses. Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the Company in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the manager, director, officer, employee or agent to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Company as authorized in this section.

Section 6. Nonexclusivity. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article X shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any by-law, agreement, vote of members or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office.

Section 7. Liability Insurance. The Company shall have the power to purchase and maintain insurance on behalf of any person who is or was a member, manager, director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a member, manager, director, officer, employee or agent of another corporation, limited liability company, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Company would have the power to indemnify him against such liability under the provisions of this section.

Section 8. Company. For purposes of this Article X, references to “the Company” shall include, in addition to the resulting entity, any constituent entity (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its members, managers, directors, officers, employees or agents, so that any person who is or was a member, manager, director, officer, employee or agent of such constituent entity, or is or was serving at the request of such constituent entity as a director, officer, employee or agent of another corporation, limited liability company, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article X with respect to the resulting or surviving entity as he would have with respect to such constituent entity if its separate existence had continued.

Section 9. Employee Benefit Plans. For purposes of this Article X, references to any “other enterprise” shall include employee benefit plans; references to “fines” shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to “serving at the request of the Company” shall include any service as a member, manager, director, officer, employee or agent of the Company which imposes duties on, or involves services by, such member, manager, director, officer, employee or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner “not opposed to the best interests of the Company” as referred to in this Article X.

Section 10. Continuation. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article X shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a member, manager,

officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

## **ARTICLE XI**

### **APPLICABILITY OF UCC ARTICLE 8**

The Company hereby irrevocably elects that all membership interests in the Company shall be securities governed by Article 8 of the Uniform Commercial Code. Each certificate evidencing membership interests in the Company shall bear the following legend:

“This certificate evidences an interest in Schneller LLC and shall be a security for purposes of Article 8 of the Uniform Commercial Code.”

No change to this provision shall be effective until all outstanding certificates have been surrendered for cancellation and any new certificates thereafter issued shall not bear the foregoing legend.

## **ARTICLE XII**

### **MISCELLANEOUS**

This Limited Liability Company Agreement is made by the Member for the exclusive benefit of the Company, its Member, and his, her or its successors and assignees. This Limited Liability Company Agreement is expressly not intended for the benefit of any creditor of the Company or any other person or entity. Except and only to the extent provided by applicable statute or otherwise in this Limited Liability Company Agreement, no such creditor or third party shall have any rights under this Limited Liability Company Agreement or any agreement between the Company and the Member with respect to any capital contribution or otherwise.

[Signature Page Follows]

IN WITNESS WHEREOF, the Member has hereunto subscribed its name as of the date first set forth above.

SCHNELLER HOLDINGS LLC, sole member  
By: TRANSDIGM INC.

By: /s/ Gregory Rufus

Name: Gregory Rufus

Its: Executive Vice President, Chief Financial Officer, and  
Secretary



**AMENDED AND RESTATED**  
**LIMITED LIABILITY COMPANY AGREEMENT**  
**OF**  
**SCHNELLER HOLDINGS LLC**

The undersigned, being the sole member of Schneller Holdings LLC, a Delaware limited liability company (the "Company"), does hereby execute this Amended and Restated Limited Liability Company Agreement of the Company effective as of the 31st day of August, 2011. The Company was formed as a Delaware limited liability company on the 30th day of May, 2007, upon the filing of its Certificate of Formation with the Secretary of State of the State of Delaware.

**ARTICLE I**  
**MEMBER**

TransDigm Inc. shall be, and is, hereby admitted to the Company as the sole member of the Company (the "Member").

**ARTICLE II**  
**OFFICE**

The principal office of the Company shall be located at 6019 Powdermill Road, Kent, Ohio 44240 (the "Principal Office"). The Company may have such other offices as the Member may designate or as the business of the Company may require.

**ARTICLE III**  
**PURPOSE**

The purpose for which the Company is organized is to conduct any lawful business purposes as defined in Section 18-106 of the Delaware Limited Liability Company Act (the "Act"). The Company shall have all of the powers granted to a limited liability company under the laws of the State of Delaware.

**ARTICLE IV**  
**DURATION OF THE COMPANY**

The Company shall continue in perpetuity unless terminated sooner by operation of law or by decision of the Member.

**ARTICLE V**

**CAPITAL CONTRIBUTIONS**

The Member may in the future contribute any additional capital deemed necessary by the Member for the operation of the Company.

**ARTICLE VI**

**OWNERSHIP OF MEMBERSHIP INTERESTS**

The Member shall own all of the membership interests in the Company and the Member shall have a 100% distributive share of the Company's profits, losses and cash flow.

**ARTICLE VII**

**MANAGEMENT**

The Member will manage the affairs of the Company, but shall be entitled to appoint or authorize representatives, including, but not limited to, such officers as the Member may deem necessary, to act on behalf of the Company and to delegate the authority otherwise reserved to the Member to such representatives. The signature of the Member of the Company shall be sufficient to bind the Company with respect to any matter on which the Member shall be required or entitled to act. The Member has the power, on behalf of the Company, to do all things necessary or convenient to carry out the business and affairs of the Company. A copy of this Limited Liability Company Agreement may be shown to third parties (and all third parties may rely hereupon) in order to confirm the identity and authorization of the Member.

**ARTICLE VIII**

**BOOKS AND RECORDS**

The Company books shall be maintained at the Principal Office. The books shall be kept on a calendar year basis, and shall be closed and balanced at the end of each such year. The Member shall cause all known business transactions pertaining to the purpose of the Company to be entered properly and completely into said book. The Member will prepare and file on behalf of the Company all tax returns in a timely manner.

**ARTICLE IX**

**AMENDMENTS**

This Limited Liability Company Agreement may be amended by a written instrument adopted by the Member and executed by the Member at any time, for any purpose, at the sole discretion of the Member.

**ARTICLE X**

**INDEMNIFICATION**

Section 1. Indemnification in Non-Derivative Actions. The Company shall indemnify any person who was or is a party or is threatened to be made a party to any threatened,

pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Company) by reason of the fact that he is or was a member, manager, director or officer of the Company, or is or was serving at the request of the Company as a member, manager, director, officer, employee or agent of another corporation, limited liability company, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

Section 2. Indemnification in Derivative Actions. The Company shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Company to procure a judgment in its favor by reason of the fact that he is or was a member, manager, director or officer of the Company, or is or was serving at the request of the Company as a member, manager, director, officer, employee or agent of another corporation, limited liability company, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Company unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 3. Indemnification as a Matter of Right. To the extent that a manager, director, officer, employee or agent of the Company has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 1 and 2 of this Article X, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

Section 4. Determination of Conduct. Any indemnification under Sections 1 and 2 of this Article X (unless ordered by a court) shall be made by the Company only as authorized in the specific case upon a determination that indemnification of the manager, director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in Sections 1 and 2 of this Article X. Such determination shall be made by the Member, or, if the Member so elects, by independent legal counsel in a written opinion.



Section 5. Advance Payment of Expenses. Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the Company in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the manager, director, officer, employee or agent to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Company as authorized in this section.

Section 6. Nonexclusivity. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article X shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any by-law, agreement, vote of members or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office.

Section 7. Liability Insurance. The Company shall have the power to purchase and maintain insurance on behalf of any person who is or was a member, manager, director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a member, manager, director, officer, employee or agent of another corporation, limited liability company, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Company would have the power to indemnify him against such liability under the provisions of this section.

Section 8. Company. For purposes of this Article X, references to “the Company” shall include, in addition to the resulting entity, any constituent entity (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its members, managers, directors, officers, employees or agents, so that any person who is or was a member, manager, director, officer, employee or agent of such constituent entity, or is or was serving at the request of such constituent entity as a director, officer, employee or agent of another corporation, limited liability company, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article X with respect to the resulting or surviving entity as he would have with respect to such constituent entity if its separate existence had continued.

Section 9. Employee Benefit Plans. For purposes of this Article X, references to any “other enterprise” shall include employee benefit plans; references to “fines” shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to “serving at the request of the Company” shall include any service as a member, manager, director, officer, employee or agent of the Company which imposes duties on, or involves services by, such member, manager, director, officer, employee or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner “not opposed to the best interests of the Company” as referred to in this Article X.

Section 10. Continuation. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article X shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a member, manager,

officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

## **ARTICLE XI**

### **APPLICABILITY OF UCC ARTICLE 8**

The Company hereby irrevocably elects that all membership interests in the Company shall be securities governed by Article 8 of the Uniform Commercial Code. Each certificate evidencing membership interests in the Company shall bear the following legend:

“This certificate evidences an interest in Schneller Holdings LLC and shall be a security for purposes of Article 8 of the Uniform Commercial Code.”

No change to this provision shall be effective until all outstanding certificates have been surrendered for cancellation and any new certificates thereafter issued shall not bear the foregoing legend.

## **ARTICLE XII**

### **MISCELLANEOUS**

This Limited Liability Company Agreement is made by the Member for the exclusive benefit of the Company, its Member, and his, her or its successors and assignees. This Limited Liability Company Agreement is expressly not intended for the benefit of any creditor of the Company or any other person or entity. Except and only to the extent provided by applicable statute or otherwise in this Limited Liability Company Agreement, no such creditor or third party shall have any rights under this Limited Liability Company Agreement or any agreement between the Company and the Member with respect to any capital contribution or otherwise.

[Signature Page Follows]

IN WITNESS WHEREOF, the Member has hereunto subscribed its name as of the date first set forth above.

TRANSDIGM INC., sole member

By: /s/ Gregory Rufus

Name: Gregory Rufus

Its: Executive Vice President, Chief Financial Officer, and Secretary



Prescribed by J. Kenneth Blackwell
Ohio Secretary of State
Central Ohio: (614) 466-3910
Toll Fee: 1-877-SOS-FILE (1-877-767-3453)

www.sos.state.oh.us
e-mail: busserv@sos.state.oh.us

Expedite this Form: (Select One)
Mail Form to one of the Following:
Yes PO Box 1390 Columbus, OH 43216
\*\*\* Requires an additional fee of \$100 \*\*\*
No PO Box 670 Columbus, OH 43216

INITIAL ARTICLES OF INCORPORATION
(For Domestic Profit or Nonprofit)
Filing Fee \$125.00

THE UNDERSIGNED HEREBY STATES THE FOLLOWING:

(CHECK ONLY ONE (1) BOX)

Table with 3 columns: (1) Articles of Incorporation Profit (113-ARF) ORC 1701, (2) Articles of Incorporation Nonprofit (114-ARN) ORC 1702, (3) Articles of Incorporation Professional (170-ARP) Profession ORC 1785

Complete the general information in this section for the box checked above.
FIRST: Name of Corporation Schneller International Sales Corp.
SECOND: Location Kani Portage (City) (County)
Effective Date (Optional) Date specified can be no more than 90 days after date of filing.
Check here if additional provisions are attached

Complete the information in this section if box (2) or (3) is checked. Completing this section is optional if box (1) is checked.
THIRD: Purpose for which corporation is formed

Complete the information in this section if box (1) or (3) is checked.
FOURTH: The number of shares which the corporation is authorized to have outstanding (Please state if shares are common or preferred and their par value if any)
1,500 Common None
(No. of Shares) (Type) (Par Value)

Completing the information in this section is optional

**FIFTH:** The following are the names and addresses of the individuals who are to serve as initial Directors.

\_\_\_\_\_  
(Name)

\_\_\_\_\_  
(Street) **NOTE: P.O. Box Addresses are NOT acceptable.**

\_\_\_\_\_  
(City) (State) (Zip Code)

\_\_\_\_\_  
(Name)

\_\_\_\_\_  
(Street) **NOTE: P.O. Box Addresses are NOT acceptable.**

\_\_\_\_\_  
(City) (State) (Zip Code)

\_\_\_\_\_  
(Name)

\_\_\_\_\_  
(Street) **NOTE: P.O. Box Addresses are NOT acceptable.**

\_\_\_\_\_  
(City) (State) (Zip Code)

**REQUIRED**

Must be authenticated  
(signed) by an authorized  
representative  
(See Instructions)

\_\_\_\_\_  
/s/ Albert N. Salvatore

Authorized Representative

Albert N. Salvatore

(print name)

\_\_\_\_\_  
12/22/06

Date

\_\_\_\_\_  
Authorized Representative

Authorized Representative

(print name)

\_\_\_\_\_  
Date

Date

\_\_\_\_\_  
Authorized Representative

Authorized Representative

(print name)

\_\_\_\_\_  
Date

Date

**CODE OF REGULATIONS OF  
SCHNELLER INTERNATIONAL SALES CORP.**

**SECTION 1  
SHARES**

1.1 Certificates. Certificates for shares, certifying the number of fully paid shares owned, shall be issued to each shareholder in such form as shall be approved by the directors. Such certificates shall be signed by the chairman of the board, president or a vice president and by the secretary or an assistant secretary or the treasurer or an assistant treasurer. A full record of each certificate so issued shall be maintained.

1.2 Registration of Transfer. Certificates shall be transferable in person or by written power of attorney, but no transfer shall be entered upon the record until the previous certificate for such shares has been surrendered to the corporation; provided, however, that the directors shall have authority to enact such rules as they shall deem expedient from time to time concerning the issuance or transfer of certificates.

1.3 Lost Destroyed or Stolen Certificates. A new share certificate or certificates may be issued in place of any certificate theretofore issued by the corporation which is alleged to have been lost, destroyed or wrongfully taken upon: (a) the execution and delivery to the corporation by the person claiming the certificate to have been lost, destroyed or wrongfully taken of an affidavit or affirmation of that fact, in a form satisfactory to the corporation, specifying whether or not, at the time of such alleged loss, destruction or taking, the certificate was endorsed; and (b) the furnishing to the corporation of indemnity and other assurances satisfactory to the corporation against any and all losses, damages, costs, expenses or liabilities to which they or any of them may be subjected by reason of the issue and delivery of such new certificate or certificates or in respect of the original certificate. In its discretion, the corporation may require a bond of indemnity, in such form and with one or more sureties satisfactory to the corporation, from the person claiming the certificate to have been lost, destroyed or wrongfully taken.

1.4 Registered Shareholders. A person in whose name shares are of record on the books of the corporation shall conclusively be deemed the unqualified owner and holder thereof for all purposes and to have capacity to exercise all rights of ownership. The corporation shall not be bound to recognize any equitable interest in or claim to such shares on the part of any other person, whether disclosed upon such certificate or otherwise, nor shall they be obliged to see to the execution of any trust or obligation.

**SECTION 2  
SHAREHOLDERS**

2.1 Annual Meeting. The annual meeting of the shareholders of the corporation shall be held at such time and on such date within two (2) months before or four (4) months after the close of the business year of the corporation, as maybe fixed by the directors and stated in the notice of the meeting.

2.2 Special Meetings. Special meetings of the shareholders shall be called upon the written request of the chairman of the board, the president, the directors by action at a meeting, a majority of the directors acting without a meeting, or of the holders of shares entitling them to exercise more than twenty-five percent (25%) of the voting power of the corporation entitled to vote thereat. Calls for such meetings shall specify the purposes thereof. No business other than that specified in the call shall be considered at any special meeting.

2.3 Notice of Meetings. Unless waived, written notice of every annual or special meeting of the shareholders stating the time, location and purpose thereof shall be given, as of a record date fixed by the directors, to each shareholder entitled to vote thereat, or entitled to notice thereof as provided by law, by mailing such notice to the last known address of each shareholder as it appears on the records of the corporation, or by personal delivery, not less than seven (7) nor more than sixty (60) days prior to such meeting. A shareholder may waive in writing such notice either before or after the meeting, and notice shall be waived by attendance at the meeting unless lack of proper notice is alleged prior to or at the commencement of the meeting. Any written waiver shall be filed with or entered upon the records of the meeting.

2.4 Place of Meetings. Meetings of shareholders shall be held at the principal office of the corporation unless the directors determine that a meeting shall be held at some other place within or out of the State of Ohio and causes the notice thereof to so state.

2.5 Quorum. The holders of shares entitling them to exercise a majority of the voting power of the corporation entitled to vote at any meeting, in person or by proxy, shall constitute a quorum for the transaction of business to be considered at such meeting; provided, however, that no action required by law or by the Articles of Incorporation (the "Articles") or these Regulations to be authorized or taken by the holders of a designated proportion of the shares of any particular class or of each class may be authorized or taken by a lesser proportion. The holders of a majority of the voting shares represented at a meeting, whether or not a quorum is present, may adjourn such meeting from time to time, until a quorum shall be present.

2.6 Record Date. The directors may fix a record date for any lawful purpose, including, without limiting the generality of the foregoing, the determination of shareholders entitled to: (a) receive notice of or to vote at any meeting; (b) receive payment of any dividend or distribution; (c) receive or exercise rights of purchase of or subscription for, or exchange or conversion of; shares or other securities, subject to any contract right with respect thereto; or (d) participate in the execution of written consents, waivers or releases. Said record date shall not be more than sixty (60) days preceding the date of such meeting, the date fixed for the payment of any dividend or distribution or the date fixed for the receipt or the exercise of rights, as the case may be. If a record date shall not be fixed, the record date for the determination of shareholders who are entitled to notice of, or who are entitled to vote at, a meeting of shareholders, shall be the close of business on the date next preceding the day on which notice is given, or the close of business on the date next preceding the day on which the meeting is held, as the case may be.

2.7 Voting. Except as provided by law or in the Articles, every shareholder entitled to vote shall be entitled to cast one vote on each proposal submitted to the meeting for each share held

of record by him or her on the record date for the determination of the shareholders entitled to vote at the meeting. At any meeting at which a quorum is present, all questions and business which may come before the meeting shall be determined by a majority of votes cast, except when a greater proportion is required by law, the Articles or these Regulations.

2.8 Proxies. A person who is entitled to attend a shareholder meeting, to vote thereat, or to execute consents, waivers and releases, may be represented at such meeting or vote thereat, and execute consents, waivers and releases, and exercise any of such person's rights, by proxy or proxies appointed by a writing signed by such person, or by such person's duly authorized attorney, as provided by the laws of the State of Ohio.

2.9 Order of Business. The order of business at all meetings of the shareholders shall be as determined by the chairman of the meeting.

2.10 Action Without a Meeting. Any action which may be authorized or taken at a meeting of shareholders may be authorized or taken without a meeting by a writing or writings signed by all of the shareholders who would be entitled to notice of a meeting of the shareholders held for the purpose of such action, which writing or writings shall be filed with or entered upon the records of the corporation.

### **SECTION 3 DIRECTORS**

3.1 General Powers. The business, power and authority of the corporation shall be exercised, conducted and controlled by a Board of Directors, except where the law, the Articles or these Regulations require action to be authorized or taken by the shareholders.

3.2 Number. The number of directors, which shall not be less than the lesser of three or the number of shareholders of record, may be fixed or changed at a meeting of the shareholders called for the purpose of electing directors at which a quorum is present, by the affirmative vote of the holders of a majority of the shares represented at the meeting and entitled to vote on such proposal. The number of directors elected shall be deemed to be the number of directors fixed unless otherwise fixed by resolution adopted at the meeting at which such directors are elected.

3.3 Election. At each meeting of the shareholders for the election of directors, the nominees receiving the greatest number of votes shall become the directors. Directors may be elected at any meeting of the shareholders if the notice therefor states that one of the purposes of such meeting is the election of directors.

3.4 Tenure of Office. Each director shall hold office until the annual meeting of shareholders next following his or her election and until his or her successor is elected and qualified, or until his or her earlier resignation, removal from office or death. A director not reelected at a special meeting of shareholders, one of the purposes of which is the election of a director for such post, shall be deemed to have been removed from office. Directors shall be subject to removal as



provided by law or by other lawful procedures and nothing herein shall be construed to prevent the removal of any or all directors in accordance therewith.

3.5 Resignation. A resignation from the Board of Directors shall be deemed to take effect immediately upon its being received by an incumbent corporate officer other than an officer who is also the resigning director, unless such other time is specified therein.

3.6 Vacancy. In the event of any vacancy in the Board of Directors for any cause, the remaining directors may, by a vote of a majority of their number, fill any such vacancy for the unexpired term.

3.7 Meetings. A regular meeting of the directors shall be held immediately following the adjournment of the annual meeting of the shareholders or a special meeting of the shareholders at which directors are elected. The holding of such shareholders' meeting shall constitute notice of such directors' meeting and such meeting maybe held without further notice. Other regular meetings of the directors shall beheld at such other times and places as maybe fixed by the directors. Special meetings of the directors may be held at any time upon call of the chairman of the board, the president, any vice president, or any two directors. Any meeting of directors may be held at any place within or without the State of Ohio in person and/or through any communications equipment if all persons participating in the meeting can hear each other.

3.8 Notice of Meeting. Notice of the time and place of any regular or special meeting of the directors (other than the regular meeting of the directors following the adjournment of the annual meeting of the shareholders or following any special meeting of the shareholders at which directors are elected) shall be given to each director by personal delivery, telephone, facsimile transmission, mail, telegram or cablegram at least forty-eight (48) hours before the meeting, which notice need not specify the purpose of the meeting. Such notice, however, may be waived in writing by any director either before or after any such meeting, or by attendance at such meeting (including presence by means of participation through any communications equipment as above provided) without protest prior to the commencement thereof.

3.9 Quorum and Voting. At any meeting of the directors, no fewer than a majority of the whole authorized number of directors must be present, in person and/or through any communications equipment, to constitute a quorum for such meeting, except that a majority of the remaining directors in office constitutes a quorum for filing a vacancy in the Board of Directors. At any meeting at which a quorum is present, all acts, questions and business which may come before the meeting shall be determined by a majority of the directors present at such meeting, unless the vote of a greater number is required by the Articles or these Regulations.

3.10 Action Without a Meeting. Any action which may be taken at a meeting of directors may be taken without a meeting if authorized by a writing or writings signed by all of the directors, which writing or writings shall be filed with or entered upon the records of the corporation.

3.11 Committees. The directors may from time to time appoint certain of its members (but

(but in no event less than three) to act as a committee or committees in the intervals between meetings of the directors and may delegate to such committee or committees powers to be exercised under the control and direction of the directors. Each such committee and each member thereof shall serve at the pleasure of the directors. In particular, the directors may create from its membership and define the powers and duties of an executive committee. During the intervals between meetings of the directors, the executive committee shall possess and may exercise all of the powers of the directors in the management and control of the business of the corporation to the extent permitted by law. All action taken by the executive committee shall be reported to the directors at its first meeting thereafter. Unless otherwise provided by the directors, a majority of the members of any committee appointed by the directors pursuant to this Section 3.11 shall constitute a quorum at any meeting thereof and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of such committee. Action may be taken by any such committee without a meeting by a writing signed by all its members. Any such committee shall prescribe its own rules for calling and holding meetings and its method of procedure, subject to any rules prescribed by the directors, and shall keep a written record of all action taken by it.

#### **SECTION 4 OFFICERS**

4.1 General Provisions. The directors shall elect a president, a secretary and a treasurer, and may elect a chairman of the board, one or more vice presidents, and such other officers and assistant officers as the directors may from time to time deem necessary. The chairman of the board, if any, shall be a director, but no one of the other officers need be a director. Any two or more offices may be held by the same person, but no officer shall execute, acknowledge or verify any instrument in more than one capacity if such instrument is required to be executed, acknowledged or verified by two or more officers.

4.2 Powers and Duties. All officers, as between themselves and the corporation, shall respectively have such authority and perform such duties as are customarily incident to their respective offices, and as may be specified from time to time by the directors, regardless of whether such authority and duties are customarily incident to such office. In the absence of any officer of the corporation, or for any other reason the directors may deem sufficient, the directors may delegate for the time being, the powers or duties of such officer, or any of them, to any other officer or to any director.

4.3 Tenure of Office. Each officer of the corporation shall hold office at the pleasure of the directors until his or her successor has been elected or until his or her earlier resignation, removal from office or death. It shall not be necessary for the officers of the corporation to be elected annually. The election or appointment of an officer for a given term, or a general provision in the Articles or these Regulations with respect to term of office, shall not be deemed to create contract rights.

4.4 Removal. Any officer may be removed, with or without cause, by the directors without prejudice to the contract rights, if any, of such officer.

**SECTION 5  
INDEMNIFICATION**

5.1 Mandatory Indemnification. The corporation shall indemnify, to the fullest extent now or hereafter permitted by law, any director or officer who was or is a party or is threatened to be made a party to, or is involved in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (hereafter, a "proceedings"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer of the corporation, or is or was serving at the request of the corporation as a director, officer, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, partner, trustee, employee or agent or in any other capacity while serving as a director, officer, partner, trustee, employee or agent, against all expense, liability and loss (including attorneys' fees), judgments, fines, excise taxes or penalties and amounts paid or to be paid in settlement, reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, partner, trustee, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that, except as provided in Section 5.4 hereof; the corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the directors of the corporation.

5.2 Permissive Indemnification. The corporation may indemnify any employee or agent of the corporation to an extent greater than that required by law only if and to the extent that the directors may, in their discretion, so determine.

5.3 Payment of Expenses. The provisions of Section 1701.13(E)(5)(a) of the Ohio Revised Code do not apply to the corporation. Expenses, including attorneys' fees, incurred by a director or officer of the corporation in defending any proceeding referred to in Section 5.1 hereof, shall be paid by the corporation in advance of the final disposition of such proceeding upon receipt of an undertaking by or on behalf of the director or officer to repay such amount unless it shall ultimately be determined that he or she is entitled to be indemnified by the corporation as authorized in this Section 5[, which undertaking may be secured or unsecured, at the discretion of the directors].

5.4 Action to Compel Payment. If a claim under Section 5.1 hereof is not paid in full by the corporation within thirty (30) days after a written claim therefor has been received by the corporation, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to also be paid the expenses of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the corporation) that the claimant has not met the standards of conduct which makes it permissible

under the Ohio General Corporation Law for the corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the corporation. Neither the failure of the corporation (including its directors, independent legal counsel, or its shareholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Ohio General Corporation Law, nor an actual determination by the corporation (including its directors, independent legal counsel, or its shareholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

5.5 Nonexclusive Remedy. The indemnification and advancement of expenses provided under this Section 5 shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any law, the Articles, these Regulations, any agreement, vote of shareholders or of disinterested directors or otherwise, both as to action in their official capacity and as to action in another capacity while holding such office.

5.6 Contractual Obligation. This Section 5 shall be deemed to be a contract between the corporation and each director or officer of the corporation, or individual who is or was serving at the request of the corporation as a director, officer, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, who serves in such capacity at any time while this Section 5 is in effect, and any repeal, amendment or other modification of this Section 5 shall not affect any rights or obligations then existing with respect to any state of facts then or theretofore existing or any action, suit or proceeding theretofore or thereafter brought or threatened based in whole or in part upon any such state of facts.

5.7 Savings Clause. If this Section 5 or any portion thereof shall be invalidated or found unenforceable on any ground by any court of competent jurisdiction, then the corporation shall nevertheless indemnify each director, officer, employee or agent of the corporation against expenses (including attorneys' fees), judgments, fines, excise taxes, penalties and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative, to the full extent permitted by any applicable portion of this Section 5 that shall not have been invalidated or found unenforceable, or by any other applicable law.

5.8 Insurance. The corporation may maintain insurance, at its expense, to protect itself and on behalf of any director, officer, employee or agent of the corporation or individual serving at the request of the corporation as a director, officer, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under the Ohio General Corporation Law.

**SECTION 6  
SECURITIES HELD BY THE CORPORATION**

6.1 Transfer of Securities Owned by the Corporation. All endorsements, assignments, transfers, stock powers, share powers or other instruments of transfer of securities standing in the name of the corporation shall be executed for and in the name of the corporation by the president, a vice president, the secretary or the treasurer or any other person or persons as may be thereunto authorized by the directors.

6.2 Voting Securities Held by the Corporation. The chairman of the board, president, any vice president, secretary or treasurer, in person or by another person thereunto authorized by the directors, in person or by proxy or proxies appointed by him or her, shall have full power and authority on behalf of the corporation to vote, act and consent with respect to any securities issued by other corporations which the corporation may own.

**SECTION 7  
CONSISTENCY WITH ARTICLES OF INCORPORATION**

If any provisions of these Regulations shall be inconsistent with the corporation's Articles (and as they may be amended from time to time), the Articles (as so amended at the time) shall govern.

**SECTION 8  
AMENDMENTS**

These Regulations may be amended or new regulations may be enacted; (a) by the affirmative vote of the holders of shares entitling them to exercise a majority of the voting power of the corporation at any meeting called for such purpose; or (b) without a meeting, by the written approval of the holders of two-thirds of the voting shares of the corporation. In the event of amendment or enactment of new regulations by such written consent, the secretary of the corporation shall mail a copy of such amendment or new regulations to each shareholder who did not participate in the approval thereof.

## FORM OF OPTION AGREEMENT (2012)

## STOCK OPTION GRANT NOTICE AND STOCK OPTION AGREEMENT

TransDigm Group Incorporated, a Delaware corporation (the "**Company**"), pursuant to its 2006 Stock Incentive Plan (the "**Plan**"), hereby grants to the holder listed below ("**Participant**"), an option to purchase the number of shares of the Company's common stock, par value \$0.01 ("**Stock**"), set forth below (the "**Option**"). This Option is subject to all of the terms and conditions set forth herein and in the Stock Option Agreement attached hereto as Exhibit A (the "**Stock Option Agreement**") and the Plan, which are incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Grant Notice and the Stock Option Agreement.

**Participant:** \_\_\_\_\_

**Grant Date:** \_\_\_\_\_

**Exercise Price per Share:** \$ \_\_\_\_\_

**Total Number of Shares  
Subject to the Option:** \_\_\_\_\_  
shares

**Expiration Date:** \_\_\_\_\_

**Type of Option:**  Incentive Stock Option  Non-Qualified Stock Option

**Vesting Schedule:** Subject to the terms of the Stock Option Agreement (including without limitation all exhibits thereto), the Option shall be eligible to become exercisable upon the achievement of performance objectives over the period set forth in Exhibit B hereto (provided that the Participant is an Eligible Person (as defined in the Plan) at all times during the period beginning on the Grant Date and ending on the applicable vesting date):

By his or her signature, the Participant agrees to be bound by the terms and conditions of the Plan, the Stock Option Agreement and this Grant Notice. The Participant has reviewed the Stock Option Agreement, the Plan and this Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of this Grant Notice, the Stock Option Agreement and the Plan. The Participant agrees that as a condition to receiving the Option, the Participant shall comply with the Stock Retention Guidelines set forth on Exhibit C. The Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Plan or relating to the Option.

## TRANSDIGM GROUP INCORPORATED

## PARTICIPANT

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Address: \_\_\_\_\_

EXHIBIT A

TO STOCK OPTION GRANT NOTICE

STOCK OPTION AGREEMENT

Pursuant to the Stock Option Grant Notice (the "**Grant Notice**") to which this Stock Option Agreement (this "**Agreement**") is attached, TransDigm Group Incorporated, a Delaware corporation (the "**Company**"), has granted to the Participant an option (the "**Option**")<sup>1</sup> under the Company's 2006 Stock Incentive Plan (the "**Plan**") to purchase the number of shares of Stock indicated in the Grant Notice.

ARTICLE I.

GENERAL

1.1 **Defined Terms.** Wherever the following terms are used in this Agreement they shall have the meanings specified below, unless the context clearly indicates otherwise. Capitalized terms not specifically defined herein shall have the meanings specified in the Plan and the Grant Notice.

(a) "**Administrator**" shall mean the Board or the Compensation Committee or other committee of the Board responsible for conducting the general administration of the Plan in accordance with Section 3 of the Plan; provided that if the Participant is an Independent Director, "Administrator" shall mean the Board.

(b) "**Consultant**" shall mean an individual who renders services to the Company as a consultant and has been so designated by the Committee.

(c) "**Credit Agreement**" shall mean that certain credit agreement dated as of June 23, 2006 among TransDigm, Inc., TransDigm Group Incorporated and the lenders party thereto, as in effect as of the Grant Date and without reference to any amendment to the Credit Agreement made following the Grant Date.

(d) "**Diluted Shares**" as of a given date shall mean the total diluted weighted-average of common shares of the Company outstanding as of such date.

(e) "**EBITDA**" for a given fiscal year of the Company shall mean Consolidated EBITDA (as defined in the Credit Agreement) of the Company for such fiscal year on a pro forma basis adjusted for acquisitions or divestitures.

(f) "**Independent Director**" shall mean a non-employee director of the Company.

(g) "**Net Debt**" shall mean, as of the last day of a given fiscal year of the Company, the excess of (a) Consolidated Total Indebtedness (as defined in the Credit Agreement) of the Company over (b) the amount of cash and cash equivalents set forth on the Company's balance sheet.

(h) "**Termination of Consultancy**" shall mean the time when the engagement of the Participant as a Consultant to the Company or a Subsidiary is terminated for any reason, with or without cause, including, but not by way of limitation, by resignation, discharge, death or retirement, but excluding: (i) terminations where there is a simultaneous employment or continuing employment of the Participant by the Company or any Subsidiary, and (ii) terminations where there is a simultaneous re-establishment of a consulting relationship or continuing consulting relationship between the Participant and the Company or any Subsidiary. The Administrator, in its absolute discretion, shall determine the effect of all matters and questions relating to Termination of Consultancy, including, but not by way of limitation, the question of whether a particular leave of absence constitutes a Termination of Consultancy. Notwithstanding any other provision of the Plan, the Company or any Subsidiary has an absolute and unrestricted right to terminate a Consultant's service at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise in writing.

<sup>1</sup> For the avoidance of doubt, the term "Option" as used herein only describes options granted pursuant to the Stock Option Grant Notice to which this Agreement is an Exhibit.

(i) “**Termination of Directorship**” shall mean the time when the Participant, if he or she is or becomes an Independent Director, ceases to be a Director for any reason, including, but not by way of limitation, a termination by resignation, failure to be elected, death or retirement. The Board, in its sole and absolute discretion, shall determine the effect of all matters and questions relating to Termination of Directorship with respect to Independent Directors.

(j) “**Termination of Employment**” shall mean the time when the employee-employer relationship between the Participant and the Company or any Subsidiary is terminated for any reason, with or without Cause, including, but not by way of limitation, a termination by resignation, discharge, death, disability or retirement; but excluding: (i) terminations where there is a simultaneous reemployment or continuing employment of the Participant by the Company or any Subsidiary, and (ii) terminations where there is a simultaneous establishment of a consulting relationship or continuing consulting relationship between the Participant and the Company or any Subsidiary. The Administrator, in its absolute discretion, shall determine the effect of all matters and questions relating to Termination of Employment, including, but not by way of limitation, the question of whether a particular leave of absence constitutes a Termination of Employment; provided, however, that, if this Option is an Incentive Stock Option, unless otherwise determined by the Administrator in its discretion, a leave of absence, change in status from an employee to an independent contractor or other change in the employee-employer relationship shall constitute a Termination of Employment if, and to the extent that, such leave of absence, change in status or other change interrupts employment for the purposes of Section 422(a)(2) of the Code and the then applicable regulations and revenue rulings under said Section.

(k) “**Termination of Services**” shall mean the time when (i) every relationship between the Participant and the Company has been terminated by a Termination of Consultancy, Termination of Directorship and/or Termination of Employment, as applicable, and (ii) the Participant is no longer an Eligible Person under the Plan.

1.2 Incorporation of Terms of Plan. The Option is subject to the terms and conditions of the Plan which are incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control.

## ARTICLE II.

### GRANT OF OPTION

2.1 Grant of Option. In consideration of the Participant’s past and/or continued employment with or service to the Company or a Subsidiary and for other good and valuable consideration, effective as of the Grant Date set forth in the Grant Notice (the “**Grant Date**”), the Company irrevocably grants to the Participant the Option to purchase any part or all of an aggregate of the number of shares of Stock set forth in the Grant Notice, upon the terms and conditions set forth in the Plan and this Agreement. Unless designated as a Non-Qualified Stock Option in the Grant Notice, the Option shall be an Incentive Stock Option to the maximum extent permitted by law.

2.2 Exercise Price. The exercise price of the shares of Stock subject to the Option shall be as set forth in the Grant Notice, without commission or other charge; *provided, however*, that the price per share of the shares of Stock subject to the Option shall not be less than 100% of the Fair Market Value of a share of Stock on the Grant Date. Notwithstanding the foregoing, if this Option is designated as an Incentive Stock Option and the Participant owns (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company or any “subsidiary corporation” of the Company or any “parent corporation” of the Company (each within the meaning of Section 424 of the Code), the price per share of the shares of Stock subject to the Option shall not be less than 110% of the Fair Market Value of a share of Stock on the Grant Date.

2.3 Consideration to the Company. In consideration of the grant of the Option by the Company, the Participant agrees to render faithful and efficient services to the Company or any Subsidiary. Nothing in the Plan or this Agreement shall confer upon the Participant any right to continue in the employ or service of the Company or any Subsidiary or shall interfere with or restrict in any way the rights of the Company and its Subsidiaries, which rights are hereby expressly reserved, to discharge or terminate the services of the Participant at any time for any reason



whatsoever, with or without Cause, except to the extent expressly provided otherwise in a written agreement between the Company or a Subsidiary and the Participant.

### ARTICLE III.

#### PERIOD OF EXERCISABILITY

##### 3.1 Commencement of Exercisability.

(a) Subject to Sections 3.1(b), 3.1(c) and 3.3, the Option shall become vested and exercisable in such amounts and at such times as are set forth in the Grant Notice.

(b) No portion of the Option which has not become vested and exercisable at the date of the Participant's Termination of Services shall thereafter become vested and exercisable, except as may be otherwise provided by the Administrator or as set forth in a written agreement between the Company and the Participant.

(c) Notwithstanding Section 3.1(a) of this Agreement and Section 8 of the Plan (but subject to Section 3.1(b) of this Agreement), in the event of a Change in Control Options shall become fully vested and exercisable. Notwithstanding the foregoing, the Administrator may, in good faith and in such manner as it may deem equitable, in its sole discretion, adjust the foregoing Fair Market Value requirements in the event of a dividend or other distribution (whether in the form of cash, Stock, other securities or property), recapitalization, reclassification, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Stock or other securities of the Company, issuance of warrants or other rights to purchase Stock or other securities of the Company, or any unusual or nonrecurring transactions or events affecting the Company or the financial statements of the Company if the adjustment is determined by the Administrator to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to the Option. For purposes of this Section 3.1, shall take into account the consideration received by the stockholders in connection with a Change in Control or in connection with any other sale of common stock or other equity interests in the Company or any Subsidiary, after taking into account all post-closing adjustments relating to a Change in Control, and assuming the exercise of all vested options and warrants outstanding as of the effective date of such Change in Control (after giving effect to any dilution of securities or instruments arising in connection with such Change in Control); *provided however*, that if the stockholders retain any portion of the common stock following such Change in Control or other sale, the Fair Market Value of such portion of the retained common stock immediately following such Change in Control or other sale shall be deemed "consideration received" for purposes of calculating the proceeds and *provided further* that the Fair Market Value of any non-cash consideration (including stock) received in connection with a Change in Control shall be determined as of the date of such Change in Control.

Notwithstanding Section 3.1(a) of this Agreement and Section 8 of the Plan (but subject to Section 3.1(b) of this Agreement, after the second anniversary of the date of grant, in the event the closing price of the Company's common stock on the New York Stock Exchange exceeds \$170 per share on any 60 trading days during any consecutive 12-month period, then all Options granted hereunder will become fully vested and exercisable.

(d) **INCLUDE ONLY FOR THOSE PARTICIPANTS RECEIVING A 280G GROSS UP:** Anything in this Agreement to the contrary notwithstanding, if a Change of Control occurs and it is determined that any payment or distribution by the Company to or for the benefit of Participant, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, including the acceleration of Options hereunder (a "**Payment**"), would constitute an "excess parachute payment" within the meaning of Section 280G of the Code, the Company shall pay to the Participant an additional amount (the "**Gross-Up Payment**") equal to the amount of any excise tax imposed under Section 4999 of the Code, times a gross-up factor equal to 1 divided by (1 minus the Total Tax Rate) (but limited in amount to the excise tax that would have been imposed under the Code as in effect on the date hereof), where the "**Total Tax Rate**" includes any applicable federal, state and local income tax, employment tax and excise tax for the Participant. For purposes of determining the amount of the Gross-Up Payment, unless the Participant specifies that other rates apply, the Participant shall be deemed to pay federal income tax and employment taxes at the highest marginal rate of federal income and employment taxation in the calendar year in which the Gross-Up Payment is to be made, and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Participant's residence on the Payment

date, net of the maximum reduction in federal income taxes that may be obtained from the deduction of such state and local taxes. All determinations to be made under this paragraph shall be made by the Company's independent public accountants immediately prior to the Change of Control. Any such determination by the Company's independent public accountants shall be binding upon the Company and the Participant. The Company shall pay the Gross-Up Payment to the Participant within ten days after the independent public accountant's determination of the amount thereof. In any event, the Gross-Up Payment shall be made no later than three and one-half months following the taxable year in which the Payment occurs. All of the fees and expenses of the independent public accountants in performing the determinations referred to in this paragraph shall be borne solely by the Company. In the event there is a material change in the Code that negatively impacts the amount of excise tax that would be payable in the event of a Change in Control, the Administrator will revisit the issue of providing a Gross-Up Payment and consider whether the limitation on the amount of the Gross-Up Payment based on the Code as in effect on the date hereof should be removed or modified.

3.2 Duration of Exercisability. The installments provided for in the vesting schedule set forth in the Grant Notice are cumulative. Each such installment which becomes vested and exercisable pursuant to the vesting schedule set forth in the Grant Notice shall remain vested and exercisable until it becomes unexercisable under Section 3.3.

3.3 Expiration of Option. The Option may not be exercised to any extent by anyone after the first to occur of the following events:

(a) The expiration of ten years from the Grant Date;

(b) If this Option is designated as an Incentive Stock Option and the Participant owned (within the meaning of Section 424(d) of the Code), at the time the Option was granted, more than 10% of the total combined voting power of all classes of stock of the Company or any "subsidiary corporation" of the Company or any "parent corporation" of the Company (each within the meaning of Section 424 of the Code), the expiration of five years from the Grant Date;

(c) The opening of business on the day of the Participant's Termination of Employment by reason of a termination by the Company for Cause;

(d) The expiration of six months from the date of the Participant's Termination of Services, unless such termination occurs by reason of the Participant's death, Disability or retirement (pursuant to Section 3.3(e)) or is a termination by the Company for Cause (as defined in Participant's employment agreement), *provided, however*, that any portion of this Option that is an Incentive Stock Option shall cease to be an Incentive Stock Option on the expiration of three months from the Participant's Termination of Services (and shall thereafter be a Non-Qualified Stock Option), *provided, further*, that to the extent that the Participant is prohibited from selling shares of Stock pursuant to the Company's insider trading policy at all times during such six-month period, with the exception of an open trading window of less than seven days, the Option shall expire on the later of (i) the seventh day following the opening of the first open trading window thereafter or (ii) the first anniversary of the Participant's Termination of Services; or

(e) The expiration of one year from the date of the Participant's Termination of Services by reason of (i) the Participant's death or Disability; or (ii) the retirement, after a minimum of ten years of service, of a Participant who is at least 55 years old, *provided, however*, that to the extent that the Participant is prohibited from selling shares of Stock pursuant to the Company's insider trading policy at all times during such one-year period, with the exception of an open trading window of less than seven days, the Option shall expire on the seventh day following the opening of the first open trading window thereafter.

3.4 Special Tax Consequences. The Participant acknowledges that, to the extent that the aggregate Fair Market Value (determined as of the time the Option is granted) of all shares of Stock with respect to which Incentive Stock Options, including the Option, are exercisable for the first time by the Participant in any calendar year exceeds \$100,000, the Option and such other options shall be Non-Qualified Stock Options to the extent necessary to comply with the limitations imposed by Section 422(d) of the Code. The Participant further acknowledges that the rule set forth in the preceding sentence shall be applied by taking the Option and other "incentive stock options" into account in the order in which they were granted, as determined under Section 422(d) of the Code and the Treasury Regulations thereunder. The Participant acknowledges that an Incentive Stock Option exercised more than three

months after the Participant's Termination of Employment, other than by reason of death or Disability, will be taxed as a Non-Qualified Stock Option.

#### ARTICLE IV.

#### EXERCISE OF OPTION

4.1 Person Eligible to Exercise. Except as provided in Sections 5.2(b), during the lifetime of the Participant, only the Participant may exercise the Option or any portion thereof. After the death of the Participant, any exercisable portion of the Option may, prior to the time when the Option becomes unexercisable under Section 3.3, be exercised by the Participant's personal representative or by any person empowered to do so under the deceased Participant's will or under the then applicable laws of descent and distribution.

4.2 Partial Exercise. Any exercisable portion of the Option or the entire Option, if then wholly exercisable, may be exercised in whole or in part at any time prior to the time when the Option or portion thereof becomes unexercisable under Section 3.3.

4.3 Manner of Exercise. The Option, or any exercisable portion thereof, may be exercised solely by delivery to the Secretary of the Company (or any third party administrator or other person or entity designated by the Company) of all of the following prior to the time when the Option or such portion thereof becomes unexercisable under Section 3.3:

(a) An Exercise Notice in a form specified by the Administrator, stating that the Option or portion thereof is thereby exercised, such notice complying with all applicable rules established by the Administrator;

(b) The receipt by the Company of full payment for the shares of Stock with respect to which the Option or portion thereof is exercised, including payment of any applicable withholding tax, which may be in one or more of the forms of consideration permitted under Section 4.4;

(c) Any other written representations as may be required in the Administrator's reasonable discretion to evidence compliance with the Securities Act or any other applicable law, rule, or regulation; and

(d) In the event the Option or portion thereof shall be exercised pursuant to Section 4.1 by any person or persons other than the Participant, appropriate proof of the right of such person or persons to exercise the Option.

Notwithstanding any of the foregoing, the Company shall have the right to specify all conditions of the manner of exercise, which conditions may vary by country and which may be subject to change from time to time.

4.4 Method of Payment. Payment of the exercise price, and any applicable withholding tax, shall be by any of the following, or a combination thereof, at the election of the Participant:

(a) Cash;

(b) Check;

(c) Broker-Assisted Cash-less Exercise. With the consent of the Administrator, delivery of a notice that the Participant has placed a market sell order with a broker with respect to shares of Stock then issuable upon exercise of the Option, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the aggregate exercise price; *provided*, that payment of such proceeds is then made to the Company upon settlement of such sale;

(d) Share Surrender. With the consent of the Administrator, surrender of other shares of Stock which (i) in the case of shares of Stock acquired from the Company, have been owned by the Participant for more than six (6) months on the date of surrender (or such other minimum length of time as the Administrator determines from time to time to be necessary to avoid adverse accounting consequences or violation of any applicable law, rule or regulation), and (ii) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the shares of Stock with respect to which the Option or portion thereof is being exercised; or

(e) Net Exercise. With the consent of the Administrator, surrendered shares of Stock issuable upon the exercise of the Option having a Fair Market Value on the date of exercise equal to the aggregate exercise price of the shares of Stock with respect to which the Option or portion thereof is being exercised.

4.5 Conditions to Issuance of Stock Certificates. The shares of Stock deliverable upon the exercise of the Option, or any portion thereof, may be either previously authorized but unissued shares of Stock or issued shares of Stock which have then been reacquired by the Company. Such shares of Stock shall be fully paid and nonassessable. The Company shall not be required to issue or deliver any shares of Stock purchased upon the exercise of the Option or portion thereof prior to fulfillment of all of the following conditions:

(a) The admission of such shares of Stock to listing on all stock exchanges on which such Stock is then listed;

(b) The completion of any registration or other qualification of such shares of Stock under any state or federal law or under rulings or regulations of the Securities and Exchange Commission or of any other governmental regulatory body, which the Administrator shall, in its absolute discretion, deem necessary or advisable;

(c) The obtaining of any approval or other clearance from any state or federal governmental agency which the Administrator shall, in its absolute discretion, determine to be necessary or advisable;

(d) The receipt by the Company of full payment for such shares of Stock, including payment of any applicable withholding tax, which may be in one or more of the forms of consideration permitted under Section 4.4; and

(e) The lapse of such reasonable period of time following the exercise of the Option as the Administrator may from time to time establish for reasons of administrative convenience.

4.6 Rights as Stockholder. The holder of the Option shall not be, nor have any of the rights or privileges of, a stockholder of the Company in respect of any shares of Stock purchasable upon the exercise of any part of the Option unless and until such shares of Stock shall have been issued by the Company to such holder (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment will be made for a dividend or other right for which the record date is prior to the date the shares of Stock are issued, except as provided in Section 8 of the Plan.

## ARTICLE V.

### OTHER PROVISIONS

5.1 Administration. The Administrator shall have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret, amend or revoke any such rules. All actions taken and all interpretations and determinations made by the Administrator in good faith shall be final and binding upon Participant, the Company and all other interested persons. No member of the Committee or the Board shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan, this Agreement or the Option.

#### 5.2 Option Transferability.

(a) Except as otherwise set forth in Section 5.2(b), (i) the Option may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, unless and until the shares of Stock underlying the Option have been issued, and all restrictions applicable to such shares of Stock have lapsed. Neither the Option nor any interest or right therein shall be liable for the debts, contracts or engagements of Participant or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence; and (ii) during the lifetime of Participant, only Participant may exercise the Option or any portion thereof. After the death of Participant, any exercisable portion of the Option may, prior to the time when the Option becomes unexercisable under Section 3.3, be exercised by Participant's

personal representative or by any person empowered to do so under the deceased Participant's will or under the then applicable laws of descent and distribution.

(b) Notwithstanding the foregoing, with respect to Participants who are corporate officers or operating presidents, the Administrator may permit any portion of the Option that is not an Incentive Stock Option to be transferred to, exercised by and paid to certain persons or entities related to such Participant, including but not limited to members of such Participant's family, charitable institutions or trusts or other entities whose beneficiaries or beneficial owners are members of such Participant's family and/or charitable institutions, or to such other persons or entities as may be expressly approved by the Administrator, pursuant to such conditions and procedures as the Administrator may establish. Any permitted transfer shall be subject to the condition that the Administrator receive evidence satisfactory to it that the transfer is being made for estate and/or tax planning purposes (or to a "blind trust" in connection with such Participant's termination of employment or service with the Company or a Subsidiary to assume a position with a governmental, charitable, educational or similar non-profit institution) and on a basis consistent with the Company's lawful issue of securities.

5.3 Adjustments. The Participant acknowledges that the Option is subject to modification and termination in certain events as provided in this Agreement and Section 8 of the Plan.

5.4 Notices. Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of the Secretary of the Company at the address given beneath the signature of the Company's authorized officer on the Grant Notice, and any notice to be given to Participant shall be addressed to Participant at the address given beneath Participant's signature on the Grant Notice. By a notice given pursuant to this Section 5.4, either party may hereafter designate a different address for notices to be given to that party. Any notice which is required to be given to Participant shall, if Participant is then deceased, be given to the person entitled to exercise his or her Option pursuant to Section 4.1 by written notice under this Section 5.4. Any notice shall be deemed duly given when sent via email or when sent by certified mail (return receipt requested) and deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

5.5 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

5.6 Governing Law; Severability. The laws of the State of Delaware shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws.

5.7 Conformity to Securities Laws. The Participant acknowledges that the Plan and this Agreement are intended to conform to the extent necessary with all provisions of the Securities Act and the Exchange Act and any and all regulations and rules promulgated by the Securities and Exchange Commission thereunder, and state securities laws and regulations. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the Option is granted and may be exercised, only in such a manner as to conform to such laws, rules and regulations. To the extent permitted by applicable law, the Plan and this Agreement shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

5.8 Amendments, Suspension and Termination. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Committee or the Board, *provided*, that, except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall adversely affect the Option in any material way without the prior written consent of the Participant.

5.9 Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth in Section 5.2, this Agreement shall be binding upon Participant and his or her heirs, executors, administrators, successors and assigns.

5.10 Notification of Disposition. If this Option is designated as an Incentive Stock Option, Participant shall give prompt notice to the Company of any disposition or other transfer of any shares of Stock acquired under this Agreement if such disposition or transfer is made (a) within two years from the Grant Date with respect to such

shares of Stock or (b) within one year after the transfer of such shares of Stock to him. Such notice shall specify the date of such disposition or other transfer and the amount realized, in cash, other property, assumption of indebtedness or other consideration, by Participant in such disposition or other transfer.

5.11 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the Option and this Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, this Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

5.12 Not a Contract of Employment. Nothing in this Agreement or in the Plan shall confer upon the Participant any right to continue to serve as an employee or other service provider of the Company or any of its Subsidiaries.

5.13 Entire Agreement. The Plan, the Grant Notice and this Agreement (including all Exhibits thereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof.

5.14 Section 409A. Notwithstanding any other provision of the Plan, this Agreement or the Grant Notice, the Plan, this Agreement and the Grant Notice shall be interpreted in accordance with, and incorporate the terms and conditions required by, Section 409A of the U.S. Internal Revenue Code of 1986, as amended (together with any Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the date hereof, "**Section 409A**"). The Committee reserves the right (without the obligation to do so or to indemnify the Participant for the failure to do so) to adopt such amendments to the Plan, this Agreement or the Grant Notice or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Committee determines are necessary or appropriate to exempt the Option from Section 409A or to comply with the requirements of Section 409A and thereby avoid the penalty taxes under Section 409A.

**EXHIBIT B****VESTING**Annual Operational Performance per Diluted Share<sup>1</sup>

Fiscal Year (A)	Minimum Vesting (10% Growth)		Maximum Vesting (17.5% Growth)	
	% of Shares Vesting (B)	YE Operating Performance (per Diluted Share) (C)	% of Shares Vesting (D)	YE Operating Performance (per Diluted Share) (E)
2012	5%	\$ 71.94	20%	\$ 76.84
2013	5%	\$ 79.13	20%	\$ 90.29
2014	5%	\$ 87.04	20%	\$ 106.09
2015	5%	\$ 95.75	20%	\$ 124.65
2016	5%	\$ 105.33	20%	\$ 146.46

1. **Annual Operational Performance Vesting.** Effective as of the last day of each of the Company's fiscal years 2012-2016 there shall become vested the percentage of shares covered by the Option which is equal to the Annual Amount (as described below). The Options shall become vested and exercisable as of the date that the Administrator verifies the AOP (as defined below); provided, however, the vesting hereunder will be effective as to Participant as of the end of the fiscal year to which such Annual Amount relates (notwithstanding any termination of Participant's employment during the period between the end of such fiscal year and the verification of the AOP and, in such case, notwithstanding the provisions of Section 3.1(b)). For each such fiscal year, the Administrator shall verify the AOP, and shall notify the Company's Chief Executive Officer of its determination with respect thereto, within ten business days after the Administrator receives the Company's audited financial statements for that fiscal year.

X. For each year (the "performance year"), the Annual Amount is zero if the Annual Operational Performance per Diluted Share ("AOP") with respect to such year is less than the amount indicated for such year in column (C) and otherwise shall be equal to the amount indicated for such year in column (B) plus the product of (a) the excess of (1) the amount indicated for such year in column (D) over (2) the amount indicated for such year in column (B) and (b) the ratio of (1) the excess of (x) the AOP with respect to the year (but not more than the amount indicated in Column (E) for such year) over (y) the amount indicated for such year in column (C) to (2) the excess of (x) the amount indicated for such year in column (E) over (y) the amount indicated for such year in column (C).

Y. In calculating the AOP in Section X. above for any performance year there shall also be taken into account any AOP in any of the two prior performance years (starting in fiscal year 2012) which was in excess of the amount indicated in Column (E) for such prior year and has not previously been taken into account hereunder but only if doing so would increase the Annual Amount in such performance year.

Z. If the Annual Amount in any performance year is less than the amount indicated in column (D) for such year then an amount equal to the excess of (1) the amount indicated in column (D) for such year over (2) the actual Annual Amount for such year may vest in one or more of the next two following years by treating as AOP in the performance year under Section X. above any excess of AOP in one of such following years over the amount indicated in column (E) for the applicable following year. The portion of any excess AOP amount which is so used may not be used more than once.

<sup>1</sup> As of a given date, the Company's "Annual Operational Performance per Diluted Share" shall mean the ratio of (1) the excess of (a) the product of (i) EBITDA and (ii) the Fixed Market Multiple (as defined below) over (b) Net Debt to (2) the Company's number of Diluted Shares as of such date, where "EBITDA," "Net Debt" and "Diluted Shares" have the meanings set forth in the Stock Option Agreement set forth on Exhibit A. For purposes of this Exhibit C, the Fixed Market Multiple shall mean the ratio of (1) the sum of (a) the product of (i) the average of the closing prices per share of Stock prevailing on each trading day during the last six months of the Company's 2008 fiscal year and (ii) the Company's number of Diluted Shares as of September 30, 2008 and (b) Net Debt as of such date to (2) the Company's EBITDA as of such date.

2. **Adjustments of Operational Performance Objectives.** The Operational Performance targets specified in this Exhibit B are based upon certain revenue and expense assumptions about the future business of the Company as of the date the Option is granted. Accordingly, in the event that, after such date, the Administrator determines, in its sole discretion, that any acquisition or disposition of any business by the Company or any dividend or other distribution (whether in the form of cash, Stock, other securities or other property), recapitalization, reclassification, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Stock or other securities of the Company, issuance of warrants or other rights to purchase Stock or other securities of the Company, any unusual or nonrecurring transactions or events affecting the Company, or the financial statements of the Company, or change in applicable laws, regulations, or accounting principles occurs such that an adjustment is determined by the Administrator to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to the Option, then the Administrator may, in good faith and in such manner as it may deem equitable, adjust the amounts set forth on this Exhibit B (and/or adjust the definitions of EBITDA and Net Debt) to reflect the projected effect of such transaction(s) or event(s) on Operational Performance.



EXHIBIT C

STOCK RETENTION GUIDELINES

As a condition to receiving the Option grant, Participant acknowledges and agrees to hold a number of shares and/or options with such value and for such period of time as set forth below:

(a) At all times during Participant's continued employment by the Company, Participant shall hold an aggregate amount of Company equity with a value equal to or greater than \$\_\_\_\_\_ (the "Retention Limit"). This Retention Limit will supersede any Retention Limit in any prior dated option agreement between the Company and Participant pursuant to the Plan.

For purposes of this Exhibit C, Company equity shall be equal to (i) the Fair Market Value of any Common Stock held by the Participant plus (ii) the value of vested options then held by Participant, whether granted pursuant to the Plan, the Company's 2003 Stock Option Plan or otherwise, which will be equal to the Fair Market Value of the Common Stock underlying the options over the exercise price.

(b) If at any time after the date hereof the aggregate amount of Company equity held by Participant falls below the Retention Limit because of a decline in the Fair Market Value of the Common Stock, Participant will have three years to reach the Retention Limit before the Administrator may exercise any remedies under paragraph (c). **[FOR NEW OPTIONHOLDERS – Participant shall not be obligated to comply with the Retention Limit until \_\_\_\_\_ [five years from date of grant].]**

(c) Participant's failure to hold that number of shares and/or vested options set forth in this Exhibit C shall result in Participant's forfeiture of all unvested Options unless otherwise determined by the Administrator, in its sole discretion.

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## CERTIFICATION

I, W. Nicholas Howley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TransDigm Group Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of TransDigm Group Incorporated's board of directors:
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 8, 2012

/s/ W. Nicholas Howley

Name: W. Nicholas Howley  
Title: Chairman of the Board of Directors and  
Chief Executive Officer  
(Principal Executive Officer)

## CERTIFICATION

I, Gregory Rufus, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TransDigm Group Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of TransDigm Group Incorporated's board of directors:
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 8, 2012

/s/ Gregory Rufus

Name: Gregory Rufus

Title: Executive Vice President, Chief Financial Officer and  
Secretary

(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of TransDigm Group Incorporated (the "Company") for the period ended December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, W. Nicholas Howley, Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition of the Company.

Date: February 8, 2012

*/s/ W. Nicholas Howley*

Name: W. Nicholas Howley

Title: Chairman of the Board of Directors and Chief  
Executive Officer (Principal Executive Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of TransDigm Group Incorporated (the "Company") for the period ended December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gregory Rufus, Executive Vice President, Chief Financial Officer and Secretary (Principal Financial and Accounting Officer), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and
2. The information contained in the Report fairly presents in all material respects, the financial condition of the Company.

Date: February 8, 2012

*/s/ Gregory Rufus*

Name: Gregory Rufus

Title: Executive Vice President, Chief  
Financial Officer and Secretary  
(Principal Financial and Accounting Officer)