

---

---

**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 27, 2014.

**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**

(Registrant's 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.

LARGE ACCELERATED FILER	<input checked="" type="checkbox"/>	ACCELERATED FILER	<input type="checkbox"/>
NON-ACCELERATED FILER	<input type="checkbox"/>	SMALLER REPORTING COMPANY	<input type="checkbox"/>

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 52,709,274 as of January 24, 2015.

---

---

## Table of Contents

### INDEX

	Page
Part I	
	<u>FINANCIAL INFORMATION</u>
Item 1	<u>Financial Statements</u>
	<u>Condensed Consolidated Balance Sheets – December 27, 2014 and September 30, 2014</u> 1
	<u>Condensed Consolidated Statements of Income –Thirteen Week Periods Ended December 27, 2014 and December 28, 2013</u> 2
	<u>Condensed Consolidated Statements of Comprehensive Income – Thirteen Week Periods Ended December 27, 2014 and December 28, 2013</u> 3
	<u>Condensed Consolidated Statement of Changes in Stockholders’ Deficit – Thirteen Week Period Ended December 27, 2014</u> 4
	<u>Condensed Consolidated Statements of Cash Flows – Thirteen Week Periods Ended December 27, 2014 and December 28, 2013</u> 5
	<u>Notes to Condensed Consolidated Financial Statements</u> 6
Item 2	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> 19
Item 3	<u>Quantitative and Qualitative Disclosure About Market Risk</u> 29
Item 4	<u>Controls and Procedures</u> 29
Part II	
	<u>OTHER INFORMATION</u>
Item 1A	<u>Risk Factors</u> 30
Item 2	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u> 30
Item 6	<u>Exhibits</u> 31
	<u>SIGNATURES</u> 32

[Table of Contents](#)

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

	December 27, 2014	September 30, 2014
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 1,011,629	\$ 819,548
Trade accounts receivable - Net	333,510	351,307
Inventories - Net	470,847	459,074
Deferred income taxes	36,808	37,669
Prepaid expenses and other	23,557	21,978
Total current assets	<u>1,876,351</u>	<u>1,689,576</u>
PROPERTY, PLANT AND EQUIPMENT - Net	211,822	212,108
GOODWILL	3,515,734	3,525,077
TRADEMARKS AND TRADE NAMES	512,670	514,520
OTHER INTANGIBLE ASSETS - Net	687,931	702,633
DEBT ISSUE COSTS - Net	88,435	92,393
OTHER	20,629	20,541
<b>TOTAL ASSETS</b>	<b><u>\$ 6,913,572</u></b>	<b><u>\$ 6,756,848</u></b>
<b>LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of long-term debt	\$ 39,295	\$ 39,295
Short-term borrowings - trade receivable securitization facility	200,000	200,000
Accounts payable	92,710	115,741
Accrued liabilities	313,047	230,871
Total current liabilities	<u>645,052</u>	<u>585,907</u>
LONG-TERM DEBT	7,233,836	7,233,836
DEFERRED INCOME TAXES	396,731	402,247
OTHER NON-CURRENT LIABILITIES	102,686	90,957
Total liabilities	<u>8,378,305</u>	<u>8,312,947</u>
<b>STOCKHOLDERS' (DEFICIT) EQUITY:</b>		
Common stock - \$.01 par value; authorized 224,400,000 shares; issued 54,031,601 and 53,832,246 at December 27, 2014 and September 30, 2014, respectively	540	538
Additional paid-in capital	816,305	794,767
Accumulated deficit	(2,059,181)	(2,150,293)
Accumulated other comprehensive loss	(46,457)	(25,171)
Treasury stock, at cost; 1,415,100 shares at December 27, 2014 and September 30, 2014	(175,940)	(175,940)
Total stockholders' (deficit) equity	<u>(1,464,733)</u>	<u>(1,556,099)</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY</b>	<b><u>\$ 6,913,572</u></b>	<b><u>\$ 6,756,848</u></b>

See notes to condensed consolidated financial statements.

[Table of Contents](#)

**TRANSDIGM GROUP INCORPORATED**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE THIRTEEN WEEK PERIODS ENDED**  
**DECEMBER 27, 2014 AND DECEMBER 28, 2013**  
**(Amounts in thousands, except per share amounts)**  
**(Unaudited)**

	Thirteen Week Periods Ended	
	December 27, 2014	December 28, 2013
NET SALES	\$ 586,898	\$ 529,322
COST OF SALES	265,725	245,186
GROSS PROFIT	321,173	284,136
SELLING AND ADMINISTRATIVE EXPENSES	67,479	57,127
AMORTIZATION OF INTANGIBLE ASSETS	13,026	16,383
INCOME FROM OPERATIONS	240,668	210,626
INTEREST EXPENSE - Net	98,935	80,853
INCOME BEFORE INCOME TAXES	141,733	129,773
INCOME TAX PROVISION	46,200	43,650
NET INCOME	\$ 95,533	\$ 86,123
NET INCOME APPLICABLE TO COMMON STOCK	\$ 92,168	\$ 81,984
Net earnings per share - see Note 5:		
Basic and diluted	\$ 1.63	\$ 1.44
Weighted-average shares outstanding:		
Basic and diluted	56,591	56,991

See notes to condensed consolidated financial statements.

[Table of Contents](#)

**TRANSDIGM GROUP INCORPORATED**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE THIRTEEN WEEK PERIODS ENDED**  
**DECEMBER 27, 2014 AND DECEMBER 28, 2013**  
**(Amounts in thousands)**  
**(Unaudited)**

	<b>Thirteen Week Periods Ended</b>	
	<b>December 27, 2014</b>	<b>December 28, 2013</b>
Net income	\$ 95,533	\$ 86,123
Other comprehensive income, net of tax:		
Foreign currency translation adjustments	(10,748)	2,647
Interest rate swap agreements, net of taxes of \$5.9 million and \$1.8 million for the thirteen week periods ended December 27, 2014 and December 28, 2013, respectively	(10,538)	4,064
Other comprehensive income, net of tax	(21,286)	6,711
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>\$ 74,247</b>	<b>\$ 92,834</b>

See notes to condensed consolidated financial statements.

[Table of Contents](#)

**TRANSDIGM GROUP INCORPORATED**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT**  
**FOR THE THIRTEEN WEEK PERIOD ENDED DECEMBER 27, 2014**  
**(Amounts in thousands, except share amounts)**  
**(Unaudited)**

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total
	Number of Shares	Par Value				Number of Shares	Value	
BALANCE, OCTOBER 1, 2014	53,832,246	\$538	\$794,767	\$(2,150,293)	\$ (25,171)	(1,415,100)	\$(175,940)	\$(1,556,099)
Unvested dividend equivalents	—	—	—	(4,421)	—	—	—	(4,421)
Compensation expense recognized for employee stock options	—	—	5,764	—	—	—	—	5,764
Excess tax benefits related to share-based payment arrangements	—	—	8,264	—	—	—	—	8,264
Exercise of employee stock options	198,727	2	7,391	—	—	—	—	7,393
Common stock issued	628	—	119	—	—	—	—	119
Net income	—	—	—	95,533	—	—	—	95,533
Foreign currency translation adjustments	—	—	—	—	(10,748)	—	—	(10,748)
Interest rate swaps, net of tax	—	—	—	—	(10,538)	—	—	(10,538)
BALANCE, DECEMBER 27, 2014	<u>54,031,601</u>	<u>\$540</u>	<u>\$816,305</u>	<u>\$(2,059,181)</u>	<u>\$ (46,457)</u>	<u>(1,415,100)</u>	<u>\$(175,940)</u>	<u>\$(1,464,733)</u>

See notes to condensed consolidated financial statements.

[Table of Contents](#)

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

	<b>Thirteen Week Periods Ended</b>	
	<b>December 27, 2014</b>	<b>December 28, 2013</b>
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 95,533	\$ 86,123
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	8,425	7,404
Amortization of intangible assets	13,357	16,435
Amortization of debt issue costs	3,999	3,085
Non-cash equity compensation	5,764	4,175
Excess tax benefits related to share-based payment arrangements	(8,264)	(3,636)
Deferred income taxes	923	(87)
Changes in assets/liabilities, net of effects from acquisitions of businesses:		
Trade accounts receivable	17,096	(3,034)
Inventories	(12,646)	(2,216)
Income taxes receivable/payable	40,589	45,118
Other assets	(3,156)	3,156
Accounts payable	(22,773)	(24,773)
Accrued and other liabilities	50,112	(16,043)
Net cash provided by operating activities	<u>188,959</u>	<u>115,707</u>
<b>INVESTING ACTIVITIES:</b>		
Capital expenditures	(8,138)	(8,097)
Acquisition of businesses, net of cash acquired	—	(263,892)
Net cash used in investing activities	<u>(8,138)</u>	<u>(271,989)</u>
<b>FINANCING ACTIVITIES:</b>		
Excess tax benefits related to share-based payment arrangements	8,264	3,636
Proceeds from exercise of stock options	7,391	2,893
Dividends paid	(3,365)	(4,139)
Other	(41)	(78)
Net cash provided by financing activities	<u>12,249</u>	<u>2,312</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(989)	154
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	192,081	(153,816)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	819,548	564,740
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 1,011,629</u>	<u>\$ 410,924</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid during the period for interest	\$ 15,307	\$ 77,125
Cash paid during the period for income taxes	\$ 944	\$ 306

See notes to condensed consolidated financial statements.

**TRANSDIGM GROUP INCORPORATED**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**THIRTEEN WEEK PERIODS ENDED DECEMBER 27, 2014 AND DECEMBER 28, 2013**

**(UNAUDITED)**

---

**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, seatbelts and safety restraints, engineered interior surfaces, lighting and control technology and military personnel parachutes and cargo delivery systems.

**Separate Financial Statements** – Separate financial statements of TransDigm Inc. are not presented because TransDigm Inc.’s 5 1/2% Senior Subordinated Notes due 2020 (the “2020 Notes”), 7 1/2% Senior Subordinated Notes due 2021 (the “2021 Notes”), 6% Senior Subordinated Notes due 2022 (the “2022 Notes”) and 6 1/2% Senior Subordinated Notes due 2024 (the “2024 Notes”) are fully and unconditionally guaranteed on a senior subordinated basis by TD Group and all existing 100% owned domestic subsidiaries of TransDigm Inc. (except TransDigm Receivables LLC and certain minor subsidiaries) 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, 2014 included in TD Group’s Form 10-K dated November 14, 2014. 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, 2014 condensed consolidated balance sheet was derived from TD Group’s audited financial statements. The results of operations for the thirteen week period ended December 27, 2014 are not necessarily indicative of the results to be expected for the full year.

**3. ACQUISITIONS**

**Elektro-Metall Export GmbH** – On March 6, 2014, TransDigm Germany GmbH, a newly formed subsidiary of TransDigm Inc., acquired Elektro-Metall Export GmbH (“EME”) for approximately \$49.6 million, which comprises \$40.4 million in cash plus the assumption of approximately \$9.2 million of net indebtedness. EME manufactures proprietary, highly engineered aerospace electromechanical actuators, electrical and electromechanical components and assemblies for commercial aircraft, helicopters and other specialty applications. These products fit well with TransDigm’s overall business direction. EME is included in TransDigm’s Airframe segment. The Company expects that the approximately \$20.3 million of goodwill recognized for the acquisition will not be deductible for tax purposes.

**Airborne Global Inc.** – On December 19, 2013, TransDigm Inc. acquired all of the outstanding stock of Airborne Global Inc. (“Airborne”) for approximately \$264.2 million in cash, which includes a purchase price adjustment of \$0.3 million paid in the second quarter of fiscal 2014. Airborne is the industry leading designer and manufacturer of personnel parachutes, cargo aerial delivery systems, emergency escape systems, naval decoys and other related products. These products fit well with TransDigm’s overall business direction. Airborne is included in TransDigm’s Airframe segment. The Company expects that the approximately \$155.9 million of goodwill recognized for the acquisition will not be deductible for tax purposes.

The Company accounted for 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 EME; therefore, the values attributed to those acquired assets in the condensed consolidated financial statements are subject to adjustment. Pro forma net sales and results of operations for the acquisitions had they occurred at the beginning of the applicable thirteen week periods ended December 27, 2014 or December 28, 2013 are not significant and, accordingly, are not provided.

## [Table of Contents](#)

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, 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 25-30 years.

#### 4. RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09 which creates a new topic in the Accounting Standards Codification ("ASC") Topic 606, "*Revenue From Contracts With Customers*." In addition to superseding and replacing nearly all existing U.S. GAAP revenue recognition guidance, including industry-specific guidance, ASC 606 establishes a new control-based revenue recognition model; changes the basis for deciding when revenue is recognized over time or at a point in time; provides new and more detailed guidance on specific topics; and expands and improves disclosures about revenue. In addition, ASU 2014-09 adds a new Subtopic to the Codification, ASC 340-40, "*Other Assets and Deferred Costs: Contracts with Customers*," to provide guidance on costs related to obtaining a contract with a customer and costs incurred in fulfilling a contract with a customer that are not in the scope of another ASC Topic. The guidance is effective for the Company for annual reporting periods, including interim periods therein, for the year ending September 30, 2018. Early application is not permitted. The Company is currently evaluating the impact that the update will have on its financial position, results of operations, cash flows and financial statement disclosures.

#### 5. EARNINGS PER SHARE (TWO-CLASS METHOD)

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

	Thirteen Week Periods Ended	
	December 27, 2014	December 28, 2013
<b>Numerator for earnings per share:</b>		
Net income	\$ 95,533	\$ 86,123
Less dividends paid on participating securities	(3,365)	(4,139)
Net income applicable to common stock - basic and diluted	<u>\$ 92,168</u>	<u>\$ 81,984</u>
<b>Denominator for basic and diluted earnings per share under the two-class method:</b>		
Weighted average common shares outstanding	52,511	52,687
Vested options deemed participating securities	<u>4,080</u>	<u>4,304</u>
Total shares for basic and diluted earnings per share	<u>56,591</u>	<u>56,991</u>
<b>Basic and diluted earnings per share</b>	<u>\$ 1.63</u>	<u>\$ 1.44</u>

#### 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. Less than 4% of the inventory was valued under the LIFO method at December 27, 2014.

## Table of Contents

Inventories consist of the following (in thousands):

	December 27, 2014	September 30, 2014
Raw materials and purchased component parts	\$ 308,443	\$ 298,318
Work-in-progress	135,450	146,980
Finished Goods	83,349	69,658
Total	527,242	514,956
Reserves for excess and obsolete inventory and LIFO	(56,395)	(55,882)
Inventories - net	<u>\$ 470,847</u>	<u>\$ 459,074</u>

## 7. INTANGIBLE ASSETS

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

	December 27, 2014			September 30, 2014		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Technology	\$ 853,115	\$ 196,601	\$656,514	\$ 854,918	\$ 186,278	\$668,640
Order backlog	8,006	8,006	—	8,006	6,006	2,000
Other	43,253	11,836	31,417	43,252	11,259	31,993
Total	<u>\$ 904,374</u>	<u>\$ 216,443</u>	<u>\$687,931</u>	<u>\$ 906,176</u>	<u>\$ 203,543</u>	<u>\$702,633</u>

The aggregate amortization expense on identifiable intangible assets for the thirteen week periods ended December 27, 2014 and December 28, 2013 was approximately \$13.4 million and \$16.4 million, respectively. The estimated amortization expense is \$46.3 million for fiscal 2015 and \$44.3 million for each of the five succeeding fiscal years 2016 through 2020.

The following is a summary of changes in the carrying value of goodwill by segment from September 30, 2014 through December 27, 2014 (in thousands):

	Power & Control	Airframe	Non- aviation	Total
Balance, September 30, 2014	\$1,606,948	\$1,862,760	\$55,369	\$3,525,077
Goodwill acquired during the year	—	—	—	—
Purchase price allocation adjustments	—	(2,424)	—	(2,424)
Other	—	(6,919)	—	(6,919)
Balance, December 27, 2014	<u>\$1,606,948</u>	<u>\$1,853,417</u>	<u>\$55,369</u>	<u>\$3,515,734</u>

## 8. 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 quarter ended December 27, 2014 and December 28, 2013, the effective income tax rate was 32.6% and 33.6%, respectively. The Company's effective tax rate for these periods was less than the Federal statutory tax rate due primarily to the domestic manufacturing deduction. The lower effective tax rate for the quarter ended December 27, 2014 was primarily due to a discrete adjustment related to the retroactive reinstatement of the research and development tax credit.

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, Canada, China, France, Germany, Hungary, Malaysia, Mexico, Singapore, Sri Lanka, and the United Kingdom. The Company is no longer subject to U.S. federal examinations for years before fiscal 2011. The Company is currently under U.S. federal examination for its fiscal 2012 and 2013 years and expects the examinations to be completed during fiscal 2015. AmSafe is subject to U.S. federal examinations for 2008, 2009, 2010 and 2011 years. In addition, the Company is subject to state income tax examinations for fiscal years 2009 and later.

At December 27, 2014 and September 30, 2014, TD Group had \$12.3 million and \$13.9 million in unrecognized tax benefits, the recognition of which would have an effect on the effective tax rate for each period of approximately \$11.8 million and \$13.5 million, respectively. The Company believes that the tax positions that comprise the unrecognized tax benefit will be reduced by approximately \$2.7 million over the next 12 months. The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense.

## 9. 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 27, 2014		September 30, 2014	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Assets:</b>					
Cash and cash equivalents	1	\$ 1,011,629	\$ 1,011,629	\$ 819,548	\$ 819,548
<b>Liabilities:</b>					
Interest rate swap agreements <sup>(1)</sup>	2	24,170	24,170	20,070	20,070
Interest rate swap agreements <sup>(2)</sup>	2	18,030	18,030	4,650	4,650
Short-term borrowings - trade receivable securitization facility	1	200,000	200,000	200,000	200,000
<i>Long-term debt:</i>					
Term loans	2	3,873,131	3,792,000	3,873,131	3,821,000
5 1/2% Senior Subordinated Notes due 2020	1	550,000	543,000	550,000	529,000
7 1/2% Senior Subordinated Notes due 2021	1	500,000	533,000	500,000	531,000
6% Senior Subordinated Notes due 2022	1	1,150,000	1,150,000	1,150,000	1,121,000
6 1/2% Senior Subordinated Notes due 2024	1	1,200,000	1,212,000	1,200,000	1,182,000

(1) Included in Accrued liabilities on the Condensed Consolidated Balance Sheet.

(2) 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. 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 2020 Notes, 2021 Notes, 2022 Notes and 2024 Notes were based upon quoted market prices.

## 10. DERIVATIVES AND HEDGING ACTIVITIES

The Company is exposed to, among other things, the impact of changes in interest 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. The company has agreements with each of its swap counterparties that contain a provision whereby if the Company defaults on the credit facility the Company could also be declared in default on its swaps, resulting in an acceleration of payment under the Swaps.

Interest rate swap agreements are used to manage interest rate risk associated with floating-rate borrowings under our 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 that qualify as effective cash flow hedges under GAAP. For these cash flow hedges, the effective portion of the gain or loss from the financial instruments was 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 affected earnings.

## [Table of Contents](#)

At December 27, 2014, five forward-starting interest rate swap agreements beginning March 31, 2016 were in place to hedge the variable interest rates on the credit facility for a fixed rate based on an aggregate notional amount of \$750 million through June 30, 2020. These forward-starting interest rate swap agreements will effectively convert the variable interest rate on the aggregate notional amount of the credit facility to a fixed rate of 5.8% (2.8% plus the 3% margin percentage) over the term of the interest rate swap agreements.

At December 27, 2014, three interest rate swap agreements beginning September 30, 2014 were in place to hedge the variable interest rates on the credit facility for a fixed rate based on an aggregate notional amount of \$1.0 billion through June 30, 2019. These interest rate swap agreements will effectively convert the variable interest rate on the aggregate notional amount of the credit facility to a fixed rate of 5.4% (2.4% plus the 3% margin percentage) over the term of the interest rate swap agreements.

At December 27, 2014, three interest rate swap agreements were in place to swap variable rates on the credit facility for a fixed rate based on an aggregate notional amount of \$353 million. These interest rate swap agreements converted the variable interest rate on the aggregate notional amount to a fixed rate of 5.17% (2.17% plus the 3% margin percentage) through June 30, 2015.

In conjunction with the refinancing of the 2011 Credit Facility, the Company no longer designated the interest rate swap agreements relating to the \$353 million aggregate notional amount as cash flow hedges for accounting purposes. Accordingly, amounts previously recorded as a component of accumulated other comprehensive loss in stockholder's equity will be amortized into earnings over the remaining period of the swap agreements.

Based on the fair value amounts of the interest rate swap agreements determined as of December 27, 2014, the estimated net amount of existing gains and losses expected to be reclassified into interest expense within the next twelve months is approximately \$18.4 million.

## **11. SEGMENTS**

The Company's businesses are organized and managed in three reporting segments: Power & Control, Airframe and Non-aviation. Effective October 1, 2014, the Company made certain organizational realignments of the businesses comprising the Power & Control and the Airframe segments. Operating results for the thirteen week period ended December 28, 2013 were reclassified to conform to the presentation for the thirteen week period ended December 27, 2014.

The Power & Control segment includes operations that primarily develop, produce and market systems and components that predominately provide power to or control power of the aircraft utilizing electronic, fluid, power and mechanical motion control technologies. Major product offerings include mechanical/electro-mechanical actuators and controls, ignition systems and engine technology, specialized pumps and valves, engineered connectors and elastomers, power conditioning devices and specialized AC/DC electric motors and generators. Primary customers of this segment are engine and power system and subsystem suppliers, airlines, third party maintenance suppliers, military buying agencies and repair depots. Products are sold in the original equipment and aftermarket market channels.

The Airframe segment includes operations that primarily develop, produce and market systems and components that are used in non-power airframe applications utilizing airframe and cabin structure technologies. Major product offerings include engineered latching and locking devices, rods and locking devices, cockpit security components and systems, aircraft audio systems, specialized lavatory components, seatbelts and safety restraints, engineered interior surfaces, lighting and control technology, personnel parachutes, cargo aerial delivery systems, emergency escape systems and naval decoys. Primary customers of this segment are airframe manufacturers and cabin system suppliers and subsystem suppliers, airlines, third party maintenance suppliers, military buying agencies and repair depots. Products are sold in the original equipment and aftermarket market channels.

The Non-aviation segment includes operations that primarily develop, produce and market products for non-aviation markets. Major product offerings include seatbelts and safety restraints for ground transportation applications, mechanical/electro-mechanical actuators and controls for space applications, and refueling systems for heavy equipment used in mining, construction and other industries. Primary customers of this segment are off road vehicle suppliers and subsystem suppliers, child restraint system suppliers, satellite and space system suppliers and manufacturers of heavy equipment used in mining, construction and other industries.

The primary measurement used by management to review and assess the operating performance of each segment is EBITDA As Defined. The Company defines EBITDA As Defined as earnings before interest, taxes, depreciation and amortization plus certain non-operating items including refinancing costs, acquisition-related costs, transaction-related costs and non-cash compensation charges incurred in connection with the Company's stock option plans. Acquisition-related costs represent accounting adjustments to inventory associated with acquisitions of businesses and product lines that were charged to cost of sales when the inventory was sold; costs incurred to integrate acquired businesses and product lines into the Company's

## [Table of Contents](#)

operations, facility relocation costs and other acquisition-related costs; transaction related costs comprising deal fees; legal, financial and tax diligence expenses and valuation costs that are required to be expensed as incurred and other acquisition accounting adjustments.

EBITDA As Defined is not a measurement of financial performance under GAAP. Although the Company uses EBITDA As Defined to assess the performance of its business and for various other purposes, the use of this non-GAAP financial measure as an analytical tool has limitations, and it should not be considered in isolation or as a substitute for analysis of the Company's results of operations as reported in accordance with GAAP.

The Company's segments are reported on the same basis used internally for evaluating performance and for allocating resources. The accounting policies for each segment are the same as those described in the summary of significant accounting policies in the Company's consolidated financial statements. Intersegment sales and transfers are recorded at values based on market prices, which creates intercompany profit on intersegment sales or transfers that is eliminated in consolidation. Intersegment sales were insignificant for the periods presented below.

The following table presents net sales by reportable segment (in thousands):

	<b>Thirteen Week Periods Ended</b>	
	<b>December 27, 2014</b>	<b>December 28, 2013</b>
<b>Net sales to external customers</b>		
Power & Control	\$ 283,379	\$ 274,050
Airframe	281,614	231,824
Non-aviation	21,905	23,448
	<u>\$ 586,898</u>	<u>\$ 529,322</u>

The following table reconciles EBITDA As Defined by segment to consolidated income from continuing operations before income taxes (in thousands):

	<b>Thirteen Week Periods Ended</b>	
	<b>December 27, 2014</b>	<b>December 28, 2013</b>
<b>EBITDA As Defined</b>		
Power & Control	\$ 146,128	\$ 136,959
Airframe	125,821	106,495
Non-aviation	4,738	5,106
<b>Total segment EBITDA As Defined</b>	276,687	248,560
Unallocated corporate expenses	6,959	5,003
<b>Total Company EBITDA As Defined</b>	269,728	243,557
Depreciation and amortization	21,785	23,839
Interest expense - net	98,935	80,853
Acquisition-related costs	1,511	4,917
Stock compensation expense	5,764	4,175
<b>Income before income taxes</b>	<u>\$ 141,733</u>	<u>\$ 129,773</u>

The following table presents total assets by segment (in thousands):

	<b>December 27, 2014</b>	<b>September 30, 2014</b>
<b>Total assets</b>		
Power & Control	\$2,446,634	\$ 2,453,308
Airframe	3,210,249	3,243,516
Non-aviation	133,654	132,988
Corporate	1,123,035	927,036
	<u>\$6,913,572</u>	<u>\$ 6,756,848</u>

The Company's sales principally originate from the United States, and the Company's long-lived assets are principally located in the United States.

**12. SUPPLEMENTAL GUARANTOR INFORMATION**

TransDigm's 2020 Notes, 2021 Notes, 2022 Notes and 2024 Notes are jointly and severally guaranteed, on a senior subordinated basis, by TD Group and TransDigm Inc.'s 100% Domestic Restricted Subsidiaries, as defined in the Indentures. The following supplemental condensed consolidating financial information presents, in separate columns, the balance sheets of the Company as of December 27, 2014 and September 30, 2014 and its statements of income and comprehensive income and cash flows for the thirteen week periods ended December 27, 2014 and December 28, 2013 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 and (v) the Company on a consolidated basis.

**TRANSDIGM GROUP INCORPORATED**  
**CONDENSED CONSOLIDATING BALANCE SHEET**  
**AS OF DECEMBER 27, 2014**  
**(Amounts in thousands)**

	TransDigm Group	TransDigm Inc.	Subsidiary Guarantors	Non- Guarantor Subsidiaries	Eliminations	Total Consolidated
<b>ASSETS</b>						
<b>CURRENT ASSETS:</b>						
Cash and cash equivalents	\$ 715	\$ 989,052	\$ 199	\$ 21,663	\$ —	\$ 1,011,629
Trade accounts receivable - Net	—	(278)	(3,913)	337,701	—	333,510
Inventories - Net	—	35,063	387,544	48,940	(700)	470,847
Deferred income taxes	—	36,808	—	—	—	36,808
Prepaid expenses and other	—	1,967	16,617	4,973	—	23,557
Total current assets	715	1,062,612	400,447	413,277	(700)	1,876,351
<b>INVESTMENT IN SUBSIDIARIES AND INTERCOMPANY</b>						
BALANCES	\$(1,465,444)	\$ 5,325,555	\$3,906,050	\$ (40,870)	\$(7,725,291)	\$ —
PROPERTY, PLANT AND EQUIPMENT - Net	—	15,808	167,368	28,646	—	211,822
GOODWILL	—	61,921	3,289,410	164,403	—	3,515,734
TRADEMARKS AND TRADE NAMES	—	19,376	449,706	43,588	—	512,670
OTHER INTANGIBLE ASSETS - Net	—	20,395	631,552	37,445	(1,461)	687,931
DEBT ISSUE COSTS - Net	—	88,305	—	130	—	88,435
OTHER	—	7,810	11,866	953	—	20,629
<b>TOTAL ASSETS</b>	<u><u>\$ (1,464,729)</u></u>	<u><u>\$ 6,601,782</u></u>	<u><u>\$8,856,399</u></u>	<u><u>\$ 647,572</u></u>	<u><u>\$(7,727,452)</u></u>	<u><u>\$ 6,913,572</u></u>
<b>LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY</b>						
<b>CURRENT LIABILITIES:</b>						
Current portion of long-term debt	\$ —	\$ 39,295	\$ —	\$ —	\$ —	\$ 39,295
Short-term borrowings — trade receivable securitization facility	—	—	—	200,000	—	200,000
Accounts payable	—	13,835	69,698	13,804	(4,627)	92,710
Accrued liabilities	—	207,664	83,056	22,327	—	313,047
Total current liabilities	—	260,794	152,754	236,131	(4,627)	645,052
LONG-TERM DEBT	—	7,233,836	—	—	—	7,233,836
DEFERRED INCOME TAXES	—	397,010	—	(279)	—	396,731
OTHER NON-CURRENT LIABILITIES	—	57,585	39,477	5,624	—	102,686
Total liabilities	—	7,949,225	192,231	241,476	(4,627)	8,378,305
STOCKHOLDERS' (DEFICIT) EQUITY	<u>(1,464,729)</u>	<u>(1,347,443)</u>	<u>8,664,168</u>	<u>406,096</u>	<u>(7,722,825)</u>	<u>(1,464,733)</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY</b>	<u><u>\$ (1,464,729)</u></u>	<u><u>\$ 6,601,782</u></u>	<u><u>\$8,856,399</u></u>	<u><u>\$ 647,572</u></u>	<u><u>\$(7,727,452)</u></u>	<u><u>\$ 6,913,572</u></u>

**TRANSDIGM GROUP INCORPORATED**  
**CONDENSED CONSOLIDATING BALANCE SHEET**  
**AS OF SEPTEMBER 30, 2014**  
**(Amounts in thousands)**

	TransDigm Group	TransDigm Inc.	Subsidiary Guarantors	Non- Guarantor Subsidiaries	Eliminations	Total Consolidated
<b>ASSETS</b>						
<b>CURRENT ASSETS:</b>						
Cash and cash equivalents	\$ 2,088	\$ 782,648	\$ 3,793	\$ 31,019	\$ —	\$ 819,548
Trade accounts receivable - Net	—	(305)	1,711	351,881	(1,980)	351,307
Inventories - Net	—	32,287	382,016	45,471	(700)	459,074
Deferred income taxes	—	37,669	—	—	—	37,669
Prepaid expenses and other	—	2,040	14,789	5,149	—	21,978
Total current assets	2,088	854,339	402,309	433,520	(2,680)	1,689,576
<b>INVESTMENT IN SUBSIDIARIES AND INTERCOMPANY</b>						
BALANCES	(1,558,187)	5,327,465	3,758,085	(59,788)	(7,467,575)	—
PROPERTY, PLANT AND EQUIPMENT - Net	—	15,884	167,257	28,967	—	212,108
GOODWILL	—	64,461	3,289,295	171,321	—	3,525,077
TRADEMARKS AND TRADE NAMES	—	19,377	449,706	45,437	—	514,520
OTHER INTANGIBLE ASSETS - Net	—	20,689	642,305	41,099	(1,460)	702,633
DEBT ISSUE COSTS - Net	—	92,155	—	238	—	92,393
OTHER	—	7,845	11,754	942	—	20,541
<b>TOTAL ASSETS</b>	<u><u>\$ (1,556,099)</u></u>	<u><u>\$ 6,402,215</u></u>	<u><u>\$ 8,720,711</u></u>	<u><u>\$ 661,736</u></u>	<u><u>\$ (7,471,715)</u></u>	<u><u>\$ 6,756,848</u></u>
<b>LIABILITIES AND STOCKHOLDERS'</b>						
<b>(DEFICIT) EQUITY</b>						
<b>CURRENT LIABILITIES:</b>						
Current portion of long-term debt	\$ —	\$ 39,295	\$ —	\$ —	\$ —	\$ 39,295
Short-term borrowings - trade receivable securitization facility	—	—	—	200,000	—	200,000
Accounts payable	—	17,629	85,328	14,768	(1,984)	115,741
Accrued liabilities	—	106,631	98,308	25,932	—	230,871
Total current liabilities	—	163,555	183,636	240,700	(1,984)	585,907
LONG-TERM DEBT	—	7,233,836	—	—	—	7,233,836
DEFERRED INCOME TAXES	—	402,538	—	(291)	—	402,247
OTHER NON-CURRENT LIABILITIES	—	42,470	42,445	6,042	—	90,957
Total liabilities	—	7,842,399	226,081	246,451	(1,984)	8,312,947
STOCKHOLDERS' (DEFICIT) EQUITY	(1,556,099)	(1,440,184)	8,494,630	415,285	(7,469,731)	(1,556,099)
<b>TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY</b>	<u><u>\$ (1,556,099)</u></u>	<u><u>\$ 6,402,215</u></u>	<u><u>\$ 8,720,711</u></u>	<u><u>\$ 661,736</u></u>	<u><u>\$ (7,471,715)</u></u>	<u><u>\$ 6,756,848</u></u>

**TRANSDIGM GROUP INCORPORATED**  
**CONDENSED CONSOLIDATING STATEMENT OF INCOME AND COMPREHENSIVE INCOME**  
**FOR THE THIRTEEN WEEK PERIOD ENDED DECEMBER 27, 2014**  
**(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	\$ —	\$ 31,568	\$ 511,507	\$ 46,886	\$ (3,063)	\$ 586,898
COST OF SALES	—	18,484	217,985	32,319	(3,063)	265,725
GROSS PROFIT	—	13,084	293,522	14,567	—	321,173
SELLING AND ADMINISTRATIVE EXPENSES	—	15,758	43,899	7,822	—	67,479
AMORTIZATION OF INTANGIBLE ASSETS	—	347	10,701	1,978	—	13,026
INCOME (LOSS) FROM OPERATIONS	—	(3,021)	238,922	4,767	—	240,668
INTEREST EXPENSE - Net	—	101,418	48	(2,531)	—	98,935
EQUITY IN INCOME OF SUBSIDIARIES	(95,533)	(165,836)	—	—	261,369	—
INCOME BEFORE INCOME TAXES	95,533	61,397	238,874	7,298	(261,369)	141,733
INCOME TAX PROVISION (BENEFIT)	—	(34,136)	78,514	1,822	—	46,200
NET INCOME	<u>\$ 95,533</u>	<u>\$ 95,533</u>	<u>\$ 160,360</u>	<u>\$ 5,476</u>	<u>\$ (261,369)</u>	<u>\$ 95,533</u>
OTHER COMPREHENSIVE INCOME, NET OF TAX	(21,286)	(6,709)	(287)	(14,290)	21,286	(21,286)
TOTAL COMPREHENSIVE INCOME	<u>\$ 74,247</u>	<u>\$ 88,824</u>	<u>\$ 160,073</u>	<u>\$ (8,814)</u>	<u>\$ (240,083)</u>	<u>\$ 74,247</u>

**TRANSDIGM GROUP INCORPORATED**  
**CONDENSED CONSOLIDATING STATEMENT OF INCOME AND COMPREHENSIVE INCOME**  
**FOR THE THIRTEEN WEEK PERIOD ENDED DECEMBER 28, 2013**  
**(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	\$ —	\$ 26,741	\$468,056	\$ 36,300	\$ (1,775)	\$ 529,322
COST OF SALES	—	15,594	206,624	24,966	(1,998)	245,186
GROSS PROFIT	—	11,147	261,432	11,334	223	284,136
SELLING AND ADMINISTRATIVE EXPENSES	—	12,166	39,069	5,892	—	57,127
AMORTIZATION OF INTANGIBLE ASSETS	—	347	15,774	262	—	16,383
INCOME (LOSS) FROM OPERATIONS	—	(1,366)	206,589	5,180	223	210,626
INTEREST EXPENSE - Net	—	80,646	71	136	—	80,853
EQUITY IN INCOME OF SUBSIDIARIES	(86,123)	(129,017)	—	—	215,140	—
INCOME BEFORE INCOME TAXES	86,123	47,005	206,518	5,044	(214,917)	129,773
INCOME TAX PROVISION (BENEFIT)	—	(39,118)	80,648	2,120	—	43,650
NET INCOME	<u>\$ 86,123</u>	<u>\$ 86,123</u>	<u>\$125,870</u>	<u>\$ 2,924</u>	<u>\$ (214,917)</u>	<u>\$ 86,123</u>
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	6,711	3,807	817	2,087	(6,711)	6,711
TOTAL COMPREHENSIVE INCOME	<u>\$ 92,834</u>	<u>\$ 89,930</u>	<u>\$126,687</u>	<u>\$ 5,011</u>	<u>\$ (221,628)</u>	<u>\$ 92,834</u>

**TRANSDIGM GROUP INCORPORATED**  
**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**  
**FOR THE THIRTEEN WEEK PERIOD ENDED DECEMBER 27, 2014**  
**(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>
<b>NET CASH PROVIDED BY (USED IN)</b>						
<b>OPERATING ACTIVITIES</b>	\$ —	\$ 59,985	\$ 142,334	\$ (2,765)	\$ (10,595)	\$ 188,959
<b>INVESTING ACTIVITIES:</b>						
Capital expenditures	—	(467)	(6,576)	(1,095)	—	(8,138)
Acquisition of business, net of cash acquired	—	—	—	—	—	—
Net cash used in investing activities	<u>—</u>	<u>(467)</u>	<u>(6,576)</u>	<u>(1,095)</u>	<u>—</u>	<u>(8,138)</u>
<b>FINANCING ACTIVITIES:</b>						
Intercompany activities	(13,663)	146,927	(139,352)	(4,507)	10,595	—
Excess tax benefits related to share-based payment arrangements	8,264	—	—	—	—	8,264
Proceeds from exercise of stock options	7,391	—	—	—	—	7,391
Dividends paid	(3,365)	—	—	—	—	(3,365)
Other	—	(41)	—	—	—	(41)
Net cash provided by (used in) financing activities	<u>(1,373)</u>	<u>146,886</u>	<u>(139,352)</u>	<u>(4,507)</u>	<u>10,595</u>	<u>12,249</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(989)</u>	<u>—</u>	<u>(989)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(1,373)</u>	<u>206,404</u>	<u>(3,594)</u>	<u>(9,356)</u>	<u>—</u>	<u>192,081</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>2,088</u>	<u>782,648</u>	<u>3,793</u>	<u>31,019</u>	<u>—</u>	<u>819,548</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$ 715</u>	<u>\$ 989,052</u>	<u>\$ 199</u>	<u>\$ 21,663</u>	<u>\$ —</u>	<u>\$ 1,011,629</u>

**TRANSDIGM GROUP INCORPORATED**  
**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**  
**FOR THE THIRTEEN WEEK PERIOD ENDED DECEMBER 28, 2013**  
**(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>
<b>NET CASH PROVIDED BY (USED IN)</b>						
<b>OPERATING ACTIVITIES</b>	\$ —	\$ (6,676)	\$ 123,148	\$ 2,134	\$ (2,899)	\$ 115,707
<b>INVESTING ACTIVITIES:</b>						
Capital expenditures	—	(569)	(6,892)	(636)	—	(8,097)
Acquisition of business, net of cash acquired	—	(263,892)	—	—	—	(263,892)
Net cash used in investing activities	—	(264,461)	(6,892)	(636)	—	(271,989)
<b>FINANCING ACTIVITIES:</b>						
Intercompany activities	(2,620)	113,924	(117,122)	2,919	2,899	—
Excess tax benefits related to share-based payment arrangements	3,636	—	—	—	—	3,636
Proceeds from exercise of stock options	2,893	—	—	—	—	2,893
Dividends paid	(4,139)	—	—	—	—	(4,139)
Other	—	(78)	—	—	—	(78)
Net cash provided by (used in) financing activities	(230)	113,846	(117,122)	2,919	2,899	2,312
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	—	—	—	154	—	154
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(230)	(157,291)	(866)	4,571	—	(153,816)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	1,313	536,863	7,900	18,664	—	564,740
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$ 1,083</u>	<u>\$ 379,572</u>	<u>\$ 7,034</u>	<u>\$ 23,235</u>	<u>\$ —</u>	<u>\$ 410,924</u>

\* \* \* \* \*

## 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, seatbelts and safety restraints, engineered interior surfaces, lighting and control technology and military personnel parachutes and cargo delivery systems. 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 2015, we generated net sales of \$586.9 million and net income of \$95.5 million. EBITDA As Defined was \$269.7 million, or 46.0% 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.

## [Table of Contents](#)

### **Acquisitions**

Acquisitions during the previous fiscal year are more fully described in Note 3, “Acquisitions” in the notes to the condensed consolidated financial statements included herein.

### **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 the revolving credit facility under our senior secured credit facility requires compliance under certain circumstances, 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.

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
- 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.

## [Table of Contents](#)

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

	Thirteen Week Periods Ended	
	December 27, 2014	December 28, 2013
	(in thousands)	
Net income	\$ 95,533	\$ 86,123
Adjustments:		
Depreciation and amortization expense	21,785	23,839
Interest expense, net	98,935	80,853
Income tax provision	46,200	43,650
EBITDA	262,453	234,465
Adjustments:		
Inventory purchase accounting adjustments <sup>(1)</sup>	—	2,438
Acquisition integration costs <sup>(2)</sup>	1,477	1,778
Acquisition transaction-related expenses <sup>(3)</sup>	223	701
Non-cash stock compensation expense <sup>(4)</sup>	5,764	4,175
Other nonrecurring items, net	(189)	—
EBITDA As Defined	<u>\$ 269,728</u>	<u>\$ 243,557</u>

- (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.

## [Table of Contents](#)

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

	Thirteen Week Period Ended	
	December 27, 2014	December 28, 2013
Net Cash Provided by Operating Activities	\$ 188,959	\$ 115,707
Adjustments:		
Changes in assets and liabilities, net of effects from acquisitions of businesses	(69,219)	(2,208)
Interest expense, net <sup>(1)</sup>	94,936	77,768
Income tax provision - current	45,277	43,737
Non-cash stock compensation expense <sup>(2)</sup>	(5,764)	(4,175)
Excess tax benefit from exercise of stock options	8,264	3,636
EBITDA	262,453	234,465
Adjustments:		
Inventory purchase accounting adjustments <sup>(3)</sup>	—	2,438
Acquisition integration costs <sup>(4)</sup>	1,477	1,778
Acquisition transaction-related expenses <sup>(5)</sup>	223	701
Non-cash stock compensation expense <sup>(2)</sup>	5,764	4,175
Other nonrecurring charges	(189)	—
EBITDA As Defined	<u>\$ 269,728</u>	<u>\$ 243,557</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 option plans.
- (3) 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.
- (4) Represents costs incurred to integrate acquired businesses and product lines into TD Group's operations, facility relocation costs and other acquisition-related costs.
- (5) 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.

### 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, 2014. There have been no significant changes to our critical accounting policies during the thirteen week period ended December 27, 2014.

## [Table of Contents](#)

### 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 27, 2014	% of Sales	December 28, 2013	% of Sales
Net sales	\$ 586,898	100.0%	\$ 529,322	100.0%
Cost of sales	265,725	45.3	245,186	46.3
Selling and administrative expenses	67,479	11.5	57,127	10.8
Amortization of intangible assets	13,026	2.2	16,383	3.1
Income from operations	240,668	41.0	210,626	39.8
Interest expense, net	98,935	16.9	80,853	15.3
Income tax provision	46,200	7.9	43,650	8.2
Net income	\$ 95,533	16.3%	\$ 86,123	17.3%

### Changes in Results of Operations

Thirteen week period ended December 27, 2014 compared with the thirteen week period ended December 28, 2013.

#### Total Company

- **Net Sales.** Net organic sales and acquisition sales and the related dollar and percentage changes for the thirteen week periods ended December 27, 2014 and December 28, 2013 were as follows (amounts in millions):

	Thirteen Week Periods Ended			% Change Total Sales
	December 27, 2014	December 28, 2013	Change	
Organic sales	\$ 542.6	\$ 529.3	\$ 13.3	2.5%
Acquisition sales	44.3	—	44.3	8.4%
	\$ 586.9	\$ 529.3	\$ 57.6	10.9%

Commercial aftermarket sales increased \$10.6 million, or an increase of 5.1%, commercial OEM sales increased \$9.0 million, or an increase of 6.0%, and defense sales decreased \$3.6 million, or decrease of 2.5%, for the quarter ended December 27, 2014 compared to the quarter ended December 28, 2013.

Acquisition sales represent sales of acquired businesses for the period up to one year subsequent to their acquisition dates. The amount of acquisition sales shown in the table above was attributable to the acquisitions of EME and Airborne in fiscal 2014.

## [Table of Contents](#)

- **Cost of Sales and Gross Profit.** Cost of sales increased by \$20.5 million, or 8.4%, to \$265.7 million for the quarter ended December 27, 2014 compared to \$245.2 million for the quarter ended December 28, 2013. Cost of sales and the related percentage of total sales for the thirteen week periods ended December 27, 2014 and December 28, 2013 were as follows (amounts in millions):

	Thirteen Week Periods Ended		Change	% Change
	December 27, 2014	December 28, 2013		
Cost of sales - excluding acquisition-related costs below	\$ 263.7	\$ 240.5	\$ 23.2	9.6%
% of total sales	44.9%	45.4%		
Inventory purchase accounting adjustments	—	2.4	(2.4)	-100.0%
% of total sales	0.0%	0.5%		
Acquisition integration costs	1.1	1.7	(0.6)	-35.3%
% of total sales	0.2%	0.3%		
Stock compensation expense	0.9	0.6	0.3	50.0%
% of total sales	0.2%	0.1%		
<b>Total cost of sales</b>	<b>\$ 265.7</b>	<b>\$ 245.2</b>	<b>\$ 20.5</b>	<b>8.4%</b>
% of total sales	45.3%	46.3%		
<b>Gross profit</b>	<b>\$ 321.2</b>	<b>\$ 284.1</b>	<b>\$ 37.1</b>	<b>13.1%</b>
Gross profit percentage	54.7%	53.7%		

The increase in the dollar amount of cost of sales during the thirteen week period ended December 27, 2014 was primarily due to increased volume associated with the sales from acquisitions and organic sales growth partially offset by lower acquisition-related costs as shown in the table above.

Gross profit as a percentage of sales increased by 1.0 percentage point to 54.7% for the thirteen week period ended December 27, 2014 from 53.7% for the thirteen week period ended December 28, 2013. The dollar amount of gross profit increased by \$37.1 million, or 13.1%, for the quarter ended December 27, 2014 compared to the comparable quarter last year due to the following items:

- Gross profit on the sales from the acquisitions indicated above (excluding acquisition-related costs) was approximately \$14 million for the quarter ended December 27, 2014, which represented gross profit of approximately 32% of the acquisition sales. The lower gross profit margin on the acquisition sales reduced gross profit as a percentage of consolidated sales by approximately 2 percentage points.
- Impact of lower inventory purchase accounting adjustments and acquisition integration costs charged to cost of sales of approximately \$3 million for the quarter ended December 27, 2014.
- Organic sales growth described above, 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), and positive leverage on our fixed overhead costs spread over a higher production volume resulted in a net increase in gross profit of approximately \$20 million for the quarter ended December 27, 2014.

## [Table of Contents](#)

- Selling and Administrative Expenses.** Selling and administrative expenses increased by \$10.4 million to \$67.5 million, or 11.5% of sales, for the thirteen week period ended December 27, 2014 from \$57.1 million, or 10.8% of sales, for the thirteen week period ended December 28, 2013. Selling and administrative expenses and the related percentage of total sales for the thirteen week periods ended December 27, 2014 and December 28, 2013 were as follows (amounts in millions):

	<u>Thirteen Week Periods Ended</u>		<u>Change</u>	<u>% Change</u>
	<u>December 27, 2014</u>	<u>December 28, 2013</u>		
Selling and administrative expenses - excluding costs below	\$ 62.4	\$ 52.9	\$ 9.5	18.0%
% of total sales	10.6%	10.0%		
Stock compensation expense	4.9	3.5	1.4	40.0%
% of total sales	0.8%	0.7%		
Acquisition related expenses	0.2	0.7	(0.5)	-71.4%
% of total sales	0.0%	0.1%		
<b>Total selling and administrative expenses</b>	<b>\$ 67.5</b>	<b>\$ 57.1</b>	<b>\$ 10.4</b>	<b>18.2%</b>
% of total sales	11.5%	10.8%		

The increase in the dollar amount of selling and administrative expenses during the quarter ended December 27, 2014 is primarily due to higher selling and administrative expenses relating to recent acquisitions of approximately \$6.5 million, which was approximately 15% of the acquisition sales.

- Amortization of Intangible Assets.** Amortization of intangible assets decreased to \$13.0 million for the quarter ended December 27, 2014 from \$16.4 million for the comparable quarter last year. The net decrease of \$3.4 million was primarily due to order backlog amortization expense from prior acquisitions becoming fully amortized.
- Interest Expense-net.** Interest expense-net includes interest on outstanding borrowings, amortization of debt issue costs and revolving credit facility fees offset by interest income. Interest expense-net increased \$18.1 million, or 22.4%, to \$98.9 million for the quarter ended December 27, 2014 from \$80.9 million for the comparable quarter last year. The net increase in interest expense-net was primarily due to an increase in the weighted average level of outstanding borrowings, which was approximately \$7.47 billion for the quarter ended December 27, 2014 and approximately \$5.73 billion for the quarter ended December 28, 2013. The increase in weighted average level of borrowings was primarily due to the issuance in June 2014 of the \$2,350 million 2022 and 2024 Notes, borrowings under the trade receivable securitization facility in June 2014, and the issuance in June 2014 of \$825 million of additional borrowings under the 2014 Credit Facility, partially offset by the repayment of \$1.6 billion of 7.75% Senior Subordinated Notes due 2018. The weighted average interest rate for cash interest payments on total outstanding borrowings at December 27, 2014 was 5.11%.
- Income Taxes.** Income tax expense as a percentage of income before income taxes was approximately 32.6% for the quarter ended December 27, 2014 compared to 33.6% for the quarter ended December 28, 2013. The lower effective tax rate for the quarter ended December 27, 2014 was primarily due to a discrete adjustment related to the retroactive reinstatement of the research and development tax credit.
- Net Income.** Net income increased \$9.4 million, or 10.9%, to \$95.5 million for the quarter ended December 27, 2014 compared to net income of \$86.1 million for the quarter ended December 28, 2013, primarily as a result of the factors referred to above.
- Earnings per Share.** The basic and diluted earnings per share were \$1.63 for the quarter ended December 27, 2014 and \$1.44 per share for the quarter ended December 28, 2013. Net income for the thirteen week period ended December 27, 2014 of \$95.5 million was decreased by an allocation of dividends on participating securities of \$3.3 million, or \$0.06 per share, resulting in net income available to common shareholders of \$92.2 million. Net income for the thirteen week period ended December 28, 2013 of \$86.1 million was decreased by an allocation of dividends on participating securities of \$4.1 million, or \$0.07 per share, resulting in net income available to common shareholders of \$82.0 million. The increase in earnings per share of \$0.19 per share to \$1.63 per share is a result of the factors referred to above.

## [Table of Contents](#)

### **Business Segments**

- **Segment Net Sales.** Net sales by segment for the thirteen week periods ended December 27, 2014 and December 28, 2013 as follows (amounts in millions):

	Thirteen Week Periods Ended					
	December 27, 2014	% of Sales	December 28, 2013	% of Sales	Change	% Change
Power & Control	\$ 283.4	48.3%	\$ 274.1	51.8%	\$ 9.3	3.4%
Airframe	281.6	48.0%	231.8	43.8%	49.8	21.5%
Non-aviation	21.9	3.7%	23.4	4.4%	(1.5)	-6.4%
	<u>\$ 586.9</u>	<u>100.0%</u>	<u>\$ 529.3</u>	<u>100.0%</u>	<u>\$ 57.6</u>	<u>10.9%</u>

Sales for the Power & Control segment increased \$9.3 million, or an increase of 3.4%, for the quarter ended December 27, 2014 compared to the quarter ended December 28, 2013. The organic sales increase resulted from increases in commercial aftermarket, commercial OEM and defense sales.

Acquisition sales for the Airframe segment totaled \$44.3 million, or an increase of 19.1%, resulting from the acquisitions of EME and Airborne in fiscal 2014. Organic sales increased \$5.5 million, or an increase of 2.4%, for the quarter ended December 27, 2014 compared to the quarter ended December 28, 2013. The organic sales increase resulted from increases in commercial aftermarket and commercial OEM sales partially offset by a decrease in defense sales.

- **EBITDA As Defined.** EBITDA As Defined by segment for the thirteen week periods ended December 27, 2014 and December 28, 2013 were as follows (amounts in millions):

	Thirteen Week Periods Ended					
	December 27, 2014	% of Segment Sales	December 28, 2013	% of Segment Sales	Change	% Change
Power & Control	\$ 146.1	51.4%	\$ 137.0	50.1%	\$ 9.1	6.6%
Airframe	125.8	44.8%	106.5	45.9%	19.3	18.1%
Non-aviation	4.8	21.9%	5.1	21.8%	(0.3)	-5.9%
	<u>\$ 276.7</u>	<u>52.3%</u>	<u>\$ 248.6</u>	<u>57.8%</u>	<u>\$ 28.1</u>	<u>11.3%</u>

EBITDA As Defined for the Power & Control segment increased \$9.1 million, or an increase of 6.6%, resulting from the organic sales growth, application of our three core value-driven operating strategies, and positive leverage on our fixed overhead costs spread over a higher production volume.

EBITDA As Defined for the Airframe segment from the acquisitions of EME and Airborne was approximately \$8.5 million, or an increase of 8.0%, for the quarter ended December 27, 2014. Organic EBITDA As Defined increased approximately \$10.8 million, or an increase of 10.1%, resulting from the organic sales growth, application of our three core value-driven operating strategies, and positive leverage on our fixed overhead costs spread over a higher production volume.

### **Backlog**

As of December 27, 2014, the Company estimated its sales order backlog at \$1,233 million compared to an estimated sales order backlog of \$1,192 million as of December 28, 2013. The increase in backlog is primarily due to acquisitions. The majority of the purchase orders outstanding as of December 27, 2014 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 27, 2014 may not necessarily represent the actual amount of shipments or sales for any future period.

### **Foreign Operations**

Although we manufacture a significant portion of our products in the United States, we manufacture some products in Belgium, China, Germany, Hungary, Malaysia, Mexico, Sri Lanka and the United Kingdom. We sell our products in the United States as well as in foreign countries. Although the majority of sales of our products are made to customers including distributors located in the United States, our products are ultimately sold to and used by customers, including airlines and other end users of aircraft, throughout

## [Table of Contents](#)

the world. 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 \$189.0 million of net cash from operating activities during the thirteen week period ended December 27, 2014 compared to \$115.7 million during the thirteen week period ended December 28, 2013. The net increase of \$73.3 million was due primarily to an increase in income from operations and lower interest payments during the period.

*Investing Activities.* Net cash used in investing activities comprised capital expenditures of \$8.1 million during the thirteen week period ended December 27, 2014. Net cash used in investing activities was \$272.0 million during the thirteen week period ended December 28, 2013 consisting of cash paid in connection with acquisitions of \$263.9 million and capital expenditures of \$8.1 million.

*Financing Activities.* Net cash provided by financing activities during the thirteen week period ended December 27, 2014 was \$12.2 million, which primarily comprised \$15.7 million of cash for tax benefits related to share-based payment arrangements and from the exercise of stock options partially offset by \$3.4 million of dividend equivalent payments.

Net cash provided by financing activities during the thirteen week period ended December 28, 2013 was \$2.3 million, which primarily comprised \$6.5 million of cash for tax benefits related to share-based payment arrangements and from the exercise of stock options partially offset by \$4.1 million of dividend equivalent payments.

### *Description of Senior Secured Credit Facilities and Indentures*

#### *Senior Secured Credit Facilities*

TransDigm has \$3,925 million in fully drawn term loans (the "Term Loan Facility") and a \$420 million Revolving Credit Facility (together with the Term Loan Facility, the "Credit Facility").

The Term Loan Facility consists of three tranches of term loans—tranche B term loans, tranche C term loans and tranche D term loans, and the Revolving Credit Facility consisting of one tranche—revolving B commitments, which include up to \$100 million of multicurrency revolving commitments. The tranche B term loans consist of \$500 million in the aggregate maturing on February 14, 2017, the tranche C term loans consist of \$2,600 million in the aggregate maturing on February 28, 2020 and the tranche D term loans consist of \$825 million in the aggregate maturing on June 4, 2021. The Term Loan Facility requires quarterly principal payments of \$9.9 million beginning on September 30, 2014. No principal payment was due in the quarter ended December 27, 2014.

The revolving B commitments consist of \$420 million in the aggregate and mature on February 28, 2018. At December 27, 2014, the Company had \$11.1 million letters of credit outstanding and \$408.9 million of borrowings available under the Credit Facility.

The interest rates per annum applicable to the loans under the 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 adjusted LIBO rate is subject to a floor of 0.75%. At December 27, 2014, the applicable interest rate was 3.5% on the tranche B term loan and 3.75% on the tranche C and tranche D term loans.

At December 27, 2014, three interest rate swap agreements were in place to swap variable rates on the Credit Facility for a fixed rate based on an aggregate notional amount of \$353 million. These interest rate swap agreements converted the variable interest rate on the aggregate notional amount to a fixed rate of 5.17% (2.17% plus the 3% margin percentage) through June 30, 2015.

At December 27, 2014, five forward-starting interest rate swap agreements beginning March 31, 2016 were in place to hedge the variable interest rates on the credit facility for a fixed rate based on an aggregate notional amount of \$750 million through

## [Table of Contents](#)

June 30, 2020. These forward-starting interest rate swap agreements will effectively convert the variable interest rate on the aggregate notional amount of the credit facility to a fixed rate of 5.8% (2.8% plus the 3% margin percentage) over the term of the interest rate swap agreements.

At December 27, 2014, three interest rate swap agreements beginning September 30, 2014 were in place to hedge the variable interest rates on the credit facility for a fixed rate based on an aggregate notional amount of \$1.0 billion through June 30, 2019. These interest rate swap agreements will effectively convert the variable interest rate on the aggregate notional amount of the credit facility to a fixed rate of 5.4% (2.4% plus the 3% margin percentage) over the term of the interest rate swap agreements.

The Term Loan Facility requires mandatory prepayments of principal based on certain percentages of Excess Cash Flow (as defined in the 2014 Credit Facility), commencing 90 days after the end of each fiscal year, commencing with the fiscal year ending September 30, 2014, subject to certain exceptions. No such mandatory prepayment of principal was required pursuant to the Excess Cash Flow calculation for the fiscal year ended September 30, 2014. 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 June 4, 2015 the principal amount of the Tranche D 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 2014 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%.

### *Indentures*

In October 2012, TransDigm Inc. issued \$550 million in aggregate principal amount of its 5 1/2% Senior Subordinated Notes due 2020 (“2020 Notes”) at an issue price of 100% of the principal amount. Such notes do not require principal payments prior to their maturity in October 2020. Interest under the 2020 Notes is payable semi-annually.

In July 2013, the Company issued \$500 million in aggregate principal amount of its 7 1/2% Senior Subordinated Notes due 2021 (“2021 Notes”) at an issue price of 100% of the principal amount. Such notes do not require principal payments prior to their maturity in July 2021. Interest under the 2021 Notes is payable semi-annually.

In June 2014, the Company issued \$1.15 billion in aggregate principal amount of its 6% Senior Subordinated Notes due 2022 (“2022 Notes”) at an issue price of 100% of the principal amount. Such notes do not require principal payments prior to their maturity in July 2022. Interest under the 2022 Notes is payable semi-annually.

In June 2014, the Company issued \$1.2 billion in aggregate principal amount of its 6 1/2% Senior Subordinated Notes due 2024 (“2024 Notes” and together with the 2018 Notes, 2020 Notes, 2021 Notes, and the 2022 Notes, the “Notes”) at an issue price of 100% of the principal amount. Such notes do not require principal payments prior to their maturity in July 2024. Interest under the 2024 Notes is payable semi-annually. The Notes represent unsecured obligations of TransDigm Inc. ranking subordinate to TransDigm Inc.’s senior debt, as defined in the applicable Indentures.

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

The Credit Facility and the Indentures 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. In addition if the total amount of revolving loans and letters of credit exceeds 25% of the aggregate revolving commitment, the credit facility requires that the Company meet a net debt to EBITDA As Defined ratio, on a pro forma basis. 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 Indentures. If any such default occurs, the lenders under the credit facilities and the holders of the 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 Notes.

## [Table of Contents](#)

### *Trade Receivables Securitization*

During the quarter ended December 28, 2013, the Company established a trade receivables securitization facility (the “Securitization Facility”). The Securitization Facility effectively increases the Company’s borrowing capacity by up to \$225 million depending on the amount of trade accounts receivable, and matures on August 7, 2015. The Company uses the proceeds from the securitization program as an alternative to other forms of debt, effectively reducing borrowing costs. As of December 27, 2014, the Company has borrowed \$200 million under the Securitization Facility.

### *Stock Repurchase Program*

On October 29, 2013, we announced a program replacing a previous program permitting us to repurchase a portion of our outstanding shares not to exceed \$200 million in the aggregate. On October 22, 2014 we announced a new program replacing this program permitting us to repurchase a portion of our outstanding shares not to exceed \$250 million in the aggregate. No repurchases were made under the program during the quarter ended December 27, 2014.

## **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 27, 2014, we had borrowings under our credit facility of \$3.87 billion that were subject to interest rate risk. Borrowings under our 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 credit facility. The effect of a hypothetical one percentage point increase in interest rates would increase the annual interest costs under our credit facility by approximately \$38.7 million based on the amount of outstanding borrowings at December 27, 2014. The weighted average interest rate on the \$3.87 billion of borrowings under our credit facility on December 27, 2014 was 4.3%.

At December 27, 2014, three interest rate swap agreements were in place to swap variable rates on the credit facility for a fixed rate based on an aggregate notional amount of \$353 million. These interest rate swap agreements converted the variable interest rate on the aggregate notional amount to a fixed rate of 5.17% (2.17% plus the 3% margin percentage) through June 30, 2015.

At December 27, 2014, three interest rate swap agreements beginning September 30, 2014 were in place to hedge the variable interest rates on the credit facility for a fixed rate based on an aggregate notional amount of \$1.0 billion through June 30, 2019. These interest rate swap agreements will effectively convert the variable interest rate on the aggregate notional amount of the credit facility to a fixed rate of 5.4% (2.4% plus the 3% margin percentage) over the term of the interest rate swap agreements.

At December 27, 2014, five forward-starting interest rate swap agreements beginning March 31, 2016 were in place to hedge the variable interest rates on the credit facility for a fixed rate based on an aggregate notional amount of \$750 million through June 30, 2020. These forward-starting interest rate swap agreements will effectively convert the variable interest rate on the aggregate notional amount of the credit facility to a fixed rate of 5.8% (2.8% plus the 3% margin percentage) over the term of the interest rate swap agreements.

The fair value of the \$3.87 billion aggregate principal amount of borrowings under our credit facility is exposed to the market risk of interest rates. The estimated fair value of such term loan approximated \$3.79 billion at December 27, 2014 based upon information provided to the Company from its agent under the credit facility. The fair value of our \$0.55 billion 2020 Notes, our \$0.50 billion 2021 Notes, our \$1.15 billion 2022 Notes and our \$1.2 billion 2024 Notes are exposed to the market risk of interest rate changes. The estimated fair value of the 2020 Notes approximated \$0.54 billion, the estimated fair value of the 2021 Notes approximated \$0.53 billion, the estimated fair value of the 2022 Notes approximated \$1.15 billion and the estimated fair value of the 2024 Notes approximated \$1.21 billion at December 27, 2014 based upon quoted market rates.

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

As of December 27, 2014, 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

## [Table of Contents](#)

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 to our internal controls over financial reporting that could have a material effect on our financial reporting during the quarter ended December 27, 2014.

## **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, 2014. 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 October 29, 2013, we announced a program replacing a previous program permitting us to repurchase a portion of our outstanding shares not to exceed \$200 million in the aggregate. On October 22, 2014 we announced a new program replacing this program permitting us to repurchase a portion of our outstanding shares not to exceed \$250 million in the aggregate. No repurchases were made under the program during the quarter ended December 27, 2014.

[Table of Contents](#)

**ITEM 6. EXHIBITS**

- 10.1 TransDigm Group Incorporated 2014 Stock Option Plan\* (Incorporated by reference to Form 8-K filed October 6, 2014)
- 10.2 TransDigm Group Incorporated 2014 Stock Option Plan Dividend Equivalent Plan\* (Incorporated by reference to Form 8-K filed October 28, 2014)
- 10.3 Form of Option Agreement for options granted in fiscal 2015\*
- 10.4 Employment Agreement dated October 29, 2014 between TransDigm Group Incorporated and Kevin Stein\* (Incorporated by reference to Form 8-K filed November 3, 2014)
- 10.5 Restricted Stock Award Agreement dated October 21, 2014 between TransDigm Group Incorporated and Kevin Stein\*
- 10.6 Employment Agreement dated November 10, 2014 between TransDigm Group Incorporated and Kevin Frailey\*
- 10.7 Stock Option Grant Notice and Stock Option Agreement dated November 13, 2014 between TransDigm Group Incorporated and W. Nicholas Howley\*
- 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 Financial 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.

\* Denotes management contract or compensatory plan or arrangement

[Table of Contents](#)

**SIGNATURES**

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

**TRANSDIGM GROUP INCORPORATED**

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)	January 30, 2015
<u>/s/ Gregory Rufus</u> Gregory Rufus	Executive Vice President, Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)	January 30, 2015

**EXHIBIT INDEX**  
**TO FORM 10-Q FOR THE PERIOD ENDED DECEMBER 27, 2014**

<u>EXHIBIT NO.</u>	<u>DESCRIPTION</u>
10.1	TransDigm Group Incorporated 2014 Stock Option Plan* (Incorporated by reference to Form 8-K filed October 6, 2014)
10.2	TransDigm Group Incorporated 2014 Stock Option Plan Dividend Equivalent Plan* (Incorporated by reference to Form 8-K filed October 28, 2014)
10.3	Form of Option Agreement for options granted in fiscal 2015*
10.4	Employment Agreement dated October 29, 2014 between TransDigm Group Incorporated and Kevin Stein* (Incorporated by reference to Form 8-K filed November 3, 2014)
10.5	Restricted Stock Award Agreement dated October 21, 2014 between TransDigm Group Incorporated and Kevin Stein*
10.6	Employment Agreement dated November 10, 2014 between TransDigm Group Incorporated and Kevin Frailey*
10.7	Stock Option Grant Notice and Stock Option Agreement dated November 13, 2014 between TransDigm Group Incorporated and W. Nicholas Howley*
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 Financial 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.

\* Denotes management contract or compensatory plan or arrangement.

FORM OF OPTION AGREEMENT (2015)

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. **[ALTERNATE PROVISION FOR EXECUTIVE OFFICERS:** 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 follows or as may be otherwise provided by the Administrator or as set forth in a written agreement between the Company and the Participant:

If the Participant incurs a termination of employment under any of the circumstances described in Section 5(a)(i) (death) of that certain Employment Agreement between the Participant and the Company effective (the "Employment Agreement"), Section 5(a)(ii) (Disability) of the Employment Agreement, Section 5(a)(iv) (Resignation for Good Reason of the Employment Agreement or Section 5(a)(v) (Termination without Cause) of the Employment Agreement or if the Participant retires from employment after at least 15 years of service after age 60 or after at least ten years of service after age 65, in each such case vesting will continue after termination of employment as provided below:

<u>Termination Date</u>	<u>Percent of Remaining Options That May Continue to Vest</u>
Prior to October 1, 2015	0%
On or after October 1, 2015 but prior to October 1, 2016	20%
On or after October 1, 2016 but prior to October 1, 2017	40%
On or after October 1, 2017 but prior to October 1, 2018	60%
On or after October 1, 2018 but prior to October 1, 2019	80%
On or after October 1, 2019	100%

The percentage of remaining Options permitted to vest will be spread ratably over the vesting schedule.]

(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) and notwithstanding Exhibit B to this Agreement, with respect to any portion of the Options that have not otherwise vested prior to the applicable date set forth below: (a) in the event that prior to September 30, 2018, the closing price of the Company’s common stock on the New York Stock Exchange exceeded two times the Exercise Price of the Options less the amount of any dividends per share paid after the date hereof on any 60 trading days during any consecutive 12-month period commencing October 1, 2016, then all of the unvested Options will vest 50% on September 30, 2018 and 50% on September 30, 2019, and (b) in the event that the condition in clause (a) is not met but, prior to September 30, 2019, the closing price of the Company’s common stock on the New York Stock Exchange exceeds two times the Exercise Price of the Options less the amount of dividends per share paid after the date hereof on any 60 trading days during any consecutive 12-month period commencing October 1, 2017, the remaining portion of the unvested Options will vest on September 30, 2019.

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; or

(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; or

(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; **[ALTERNATIVE PROVISION FOR EXECUTIVE OFFICERS:** The opening of business on the day of the Participant’s Termination of Services by reason of the Participant’s Termination of Employment by reason of a termination by the Company for Cause (as defined in the Participant’s employment agreement, if applicable), unless the Committee, in its discretion, determines that a longer period is appropriate;] or

(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; **[ALTERNATIVE PROVISION FOR EXECUTIVE OFFICERS:** The expiration of six months from the date of the Participant’s Termination of Services, unless such termination occurs by reason of (i) the Participant’s death, (ii) the Participant’s Disability, (iii) the Participant’s retirement (pursuant to Section 3.3(e)), (iv) the Participant’s termination for Cause (as defined in the Participant’s employment, agreement, if applicable) or (v) if the Participant has an

employment agreement that defines a termination for “cause” and/or “good Reason,” a termination by the Company without Cause (as defined in the Participant’s employment agreement) or a termination by the Participant for Good Reason (as defined in the 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 seventh day following the opening of the first open trading window thereafter;] 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. **[ALTERNATIVE PROVISION FOR EXECUTIVE OFFICERS:** The expiration of one year from the date of the Participant’s Termination of Services by reason of 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; or]

**[ADDITIONAL PROVISION FOR EXECUTIVE OFFICERS:** (f) The expiration date set forth in clause (a), (i) if the Participant has an employment agreement that defines a termination for “Cause” and/or “Good Reason,” and upon a Participant’s Termination of Services by the Company without Cause (as defined in Participant’s employment agreement or a Termination of Services by the Participant for Good Reason (as defined in Participant’s employment agreement) or (ii) upon the Participant’s death or Disability or (iii) upon the Participant’s retirement from employment after at least 15 years of service after age 60 or after at least ten years of service after age 65.

Notwithstanding the foregoing, if any Option vests after the Participant’s Termination of Services for reasons set forth herein pursuant to Section 3.1 and the Participant has a limit of six months or one year following such Termination of Services to exercise the Option pursuant to paragraph (d) or (3), the Participant shall have six months after the Option vests to exercise such Option.]

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 – FOR FIVE YEAR INITIAL/PROMOTION GRANTS**

**VESTING**

Annual Operational Performance per Diluted Share<sup>1</sup>

<u>Fiscal Year (A)</u>	<u>Minimum Vesting (10% Growth)</u>		<u>Maximum Vesting (17.5% Growth)</u>	
	<u>% of Shares Vesting (B)</u>	<u>YE Operating Performance (per Diluted Share) (C)</u>	<u>% of Shares Vesting (D)</u>	<u>YE Operating Performance (per Diluted Share) (E)</u>
2015	5%	\$ 80.23	20%	\$ 85.70
2016	5%	\$ 88.25	20%	\$ 100.69
2017	5%	\$ 97.07	20%	\$ 118.31
2018	5%	\$ 106.78	20%	\$ 139.02
2019	5%	\$ 117.46	20%	\$ 163.35

1. Annual Operational Performance Vesting. Effective as of the last day of each of the Company’s fiscal years 2014-2018 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”)<sup>1</sup> 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 2015) 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. If the Participant is subsequently awarded options vesting in 2020 and 2021, any AOP during 2018 and 2019 in excess of the amount indicated in Column (E) (and not previously taken into account hereunder) may be used in one or more of the next two following years by treating such excess as AOP in the performance year under the option agreement granting said options.

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 9.935, as adjusted for the weighted EBITDA multiple of future acquisitions as determined by the Committee.

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. Further, in the event that the Company pays a special dividend, the AOP targets shall be adjusted as determined by the Administrator in accordance with past practice.

**EXHIBIT B – TWO YEAR EXTENSION GRANTS**

**VESTING**

Annual Operational Performance per Diluted Share<sup>1</sup>

<u>Fiscal Year (A)</u>	<u>Minimum Vesting (10% Growth)</u>		<u>Maximum Vesting (17.5% Growth)</u>	
	<u>% of Shares Vesting (B)</u>	<u>YE Operating Performance (per Diluted Share) (C)</u>	<u>% of Shares Vesting (D)</u>	<u>YE Operating Performance (per Diluted Share) (E)</u>
2018	12.5%	\$ 106.78	50%	\$ 139.02
2019	12.5%	\$ 117.46	50%	\$ 163.35

1. Annual Operational Performance Vesting. Effective as of the last day of each of the Company’s fiscal years 2018-2019 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<sup>2</sup> (“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 2016) 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. For purposes of determining whether AOP has been exceeded and the amount of any excess, the YE Operating Performance per Diluted Share applicable to 2016 shall be \$100.69 and to 2017 shall be \$118.31. If the Participant is subsequently awarded options vesting in 2020 and 2021, any AOP during 2018 and 2019 in excess of the amount indicated in Column (E) (and not previously taken into account hereunder) may be used in one or more of the next two following years by treating such excess as AOP in the performance year under the option agreement granting said options.

Z. If the Annual Amount in 2018 is less than the amount indicated in column (D) for 2018 then an amount equal to the excess of (1) the amount indicated in column (D) for 2018 over (2) the actual Annual Amount for 2018 may vest in 2019 by treating as AOP in 2018 above any excess of AOP in 2019 over the amount indicated in column (E) for 2019. The portion of any excess AOP amount which is so used may not be used more than once.

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

<sup>2</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 9.935, as adjusted for the weighted EBITDA multiple of future acquisitions as determined by the Committee.

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. Further, in the event that the Company pays a special dividend, the AOP targets shall be adjusted as determined by the Administrator in accordance with past practice.

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")**[FOR EXECUTIVE OFFICERS ADD: one-half of which must be held in stock]**. 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 (d).

(c) Participant shall not be obligated to comply with the Retention Limit until five years from the date of grant; provided, however, that notwithstanding the foregoing, Participant may not make any sales of vested Options until the Retention Limit is reached, and thereafter, only to the extent that Participant would, at the time of the sale, be in compliance with the Retention Limit, except that Participants may make sales under 10b5-1 plans in existence on the date hereof so long as such sales would be in compliance with any preexisting Retention Limit.

(d) 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.

## RESTRICTED STOCK AWARD AGREEMENT

TransDigm Group Incorporated (“Company”), pursuant to its 2006 Stock Incentive Plan (the “Plan”), hereby grants to Holder the number of shares of Common Stock of Company set forth below (the “Restricted Stock”). The Restricted Stock is subject to all of the terms and conditions set forth herein as well as all of the terms and conditions of the Plan, all of which are incorporated herein. Capitalized terms not otherwise defined herein have the meanings set forth in the Plan. In the event of a conflict or inconsistency between the Plan and this Agreement, the Plan shall control.

Holder: Kevin Stein  
 Date of Grant: October 21, 2014  
 Number of Shares of Restricted Stock 13,000  
 Additional Terms:

- Restricted Stock is subject to a substantial risk of forfeiture in accordance with the Plan until such restrictions lapse (i.e., “vest”). Restricted Stock will vest as follows:  
 33% of the shares of Restricted Stock granted hereunder to Holder will vest and become exercisable on each of December 31, 2015, December 31, 2016 and December 31, 2017. All shares of Restricted Stock will become fully vested and exercisable upon a Change in Control.
- Upon vesting of any portion of the Restricted Stock, Holder will be required to satisfy applicable withholding tax obligations as provided in the Plan. Holder may satisfy such tax obligations, in whole or in part, by (i) electing to have Company withhold a portion of the shares of Restricted Stock otherwise to be delivered upon vesting of the Restricted Stock with a Fair Market Value equal to the amount of such taxes. The election, if any, must be made on or before the date that the amount of tax to be withheld is determined. If Holder does not make such payment to Company, Company shall have the right to withhold from any payment of any kind otherwise due to Holder from Company any federal, state or local taxes of any kind required by law to be withheld with respect to the award or vesting of Restricted Stock.
- The Restricted Stock will be registered in Holder’s name in Company’s stock ledger as of the date of grant and may be evidenced by book entry or certificate. If evidenced by a certificate, the certificate will bear an appropriate legend referencing this Agreement and will be maintained in Company’s custody until the Restricted Stock, or applicable portion thereof, vests. Prior to vesting, Holder will be entitled to all rights of a stockholder, except as noted in the Plan or elsewhere in this Agreement. Holder agrees to execute and deliver to Company a stock power with respect to the Restricted Stock for the sole purpose of transferring to Company any forfeited shares of Restricted Stock. Within a reasonable time after vesting, a certificate for the number of vested shares of Restricted Stock (less any shares used to satisfy Holder’s tax obligations) will be delivered to Holder.

**THE UNDERSIGNED HOLDER ACKNOWLEDGES RECEIPT OF THE PLAN, AND, AS AN EXPRESS CONDITION TO THE GRANT OF RESTRICTED STOCK UNDER THIS AGREEMENT, AGREES TO BE BOUND BY THE TERMS OF BOTH THE AGREEMENT AND THE PLAN.**

TRANSDIGM GROUP INCORPORATED

By: /s/ W. Nicholas Howley  
 W. Nicholas Howley

/s/ Kevin Stein  
 KEVIN STEIN

Date: 10/23/14

Date: 10/29/14

## EMPLOYMENT AGREEMENT

THIS AGREEMENT, dated as of November 10, 2014, is made by and between TransDigm Group Incorporated, a Delaware corporation (the “Company”), and Kevin Frailey (the “Executive”).

## RECITALS:

WHEREAS, the Executive holds the position of Executive Vice President of the Company; and

WHEREAS, the parties would like to enter into an employment agreement on the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing and of the respective covenants and agreements set forth below, the parties hereto agree as follows:

1. Certain Definitions.

(a) “Annual Base Salary” shall have the meaning set forth in Section 4(a).

(b) “Board” shall mean the Board of Directors of the Company.

(c) “Cause” shall mean either of the following: (i) the repeated failure by the Executive, after written notice from the Board, substantially to perform his material duties and responsibilities as an officer or employee or director of the Company or any of its subsidiaries (other than any such failure resulting from incapacity due to reasonably documented physical or mental illness), or (ii) any willful misconduct by the Executive that has the effect of materially injuring the business of the Company or any of its subsidiaries, including, without limitation, the disclosure of material secret or confidential information of the Company or any of its subsidiaries.

(d) “COBRA” shall mean the Consolidated Omnibus Budget Reconciliation Act of 1985, as may be amended from time to time.

(e) “Code” shall mean the Internal Revenue Code of 1986, as amended. Reference to a Section of the Code includes all rulings, regulations, notices, announcements, decisions, orders and other pronouncements that are issued by the United States Department of the Treasury, the Internal Revenue Service, or any court of competent jurisdiction that are lawful and pertinent to the interpretation, application or effectiveness of such Section.

(f) “Common Stock” shall mean the common stock of the Company, \$0.01 par value per share.

(g) “Company” shall have the meaning set forth in the preamble hereto.

(h) “Compensation Committee” shall mean the Compensation Committee of the Board whose members shall be appointed by the Board from time to time.

(i) “Date of Termination” shall mean (i) if the Executive’s employment is terminated by reason of his death, the date of his death, and (ii) if the Executive’s employment is terminated pursuant to Sections 5(a)(ii) - (vi), the date specified in the Notice of Termination.

(j) “Disability” shall mean the Executive’s absence from employment with the Company due to: (i) his inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve months; or (ii) such medically determinable physical or mental impairment, which can be expected to result in death or can be expected to last for a continuous period of not less than twelve months, and for which the Executive is receiving income replacement benefits for a period of not less than three months under an accident and health plan covering the Company’s employees.

(k) “Effective Date” shall mean the date of this Agreement.

(l) “Equity Compensation Agreements” shall mean any written agreements between the Company and the Executive pursuant to which the Executive holds or is granted options to purchase Common Stock, including, without limitation, agreements evidencing options granted under any option plan adopted or maintained by the Company for employees generally, and any management deferred compensation or similar plans of the Company.

(m) “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended.

(n) "Executive" shall have the meaning set forth in the preamble hereto.

(o) "Good Reason" shall mean the occurrence of any of the following: (i) a material diminution in the Executive's title, duties or responsibilities, without his prior written consent, or (ii) a reduction of the Executive's aggregate cash compensation (including bonus opportunities), benefits or perquisites, without his prior written consent, (iii) the Company requires the Executive, without his prior written consent, to be based at any office or location that requires a relocation greater than 30 miles from Cleveland, Ohio (it being understood that Executive is expected to spend up to the first 12 months of his employment working primarily in Whippany, New Jersey and such assignment shall not constitute Good Reason), or (iv) any material breach of this Agreement by the Company.

(p) "Notice of Termination" shall have the meaning set forth in Section 5(b).

(q) "Payment Period" shall have the meaning set forth in Section 6(b)(i).

(r) "Specified Employee" shall have the meaning set forth in Code Section 409A

(s) "Term" shall have the meaning set forth in Section 2.

2. Employment. The Company shall employ the Executive, for the period set forth in this Section 2, in the position(s) set forth in Section 3 and upon the other terms and conditions herein provided. The term of employment under this Agreement (the "Term") shall be for the period beginning on the Effective Date and ending on October 1, 2019 unless earlier terminated as provided in Section 5.

3. Position and Duties. During the Term, the Executive shall serve as Executive Vice President of each of the Company and its subsidiary, TransDigm, Inc. ("TransDigm"), with such customary responsibilities, duties and authority as may from time to time be assigned to the Executive by the Chief Executive Officer. During the Term, the Executive shall devote substantially all his working time and efforts to the business and affairs of the Company and TransDigm; provided, that it shall not be considered a violation of the foregoing for the Executive to (i) with the prior consent of the Board (which consent shall not unreasonably be withheld), serve on corporate, industry, civic or charitable boards or committees, and (ii) manage his personal investments, so long as none of such activities significantly interferes with the Executive's duties hereunder.

#### 4. Compensation and Related Matters.

(a) Annual Base Salary. During the Term (commencing as of the first pay period following the date of this Agreement), the Executive shall receive a base salary at a rate of \$320,000 per annum, payable in accordance with the Company's normal payroll practices, which shall be reviewed by the Compensation Committee annually and may be increased, but not decreased, upon such review (the "Annual Base Salary").

(b) Bonus. For each fiscal year during the Term, the Executive shall be eligible to participate in the Company's annual cash bonus plan in accordance with terms and provisions which shall be consistent with the Company's executive bonus policy in effect as of the date hereof. The Executive's target bonus for fiscal year 2014 and thereafter will be 50% of his Annual Base Salary.

(c) Non-Qualified Deferred Compensation. During the Term, the Executive shall be eligible to participate in any non-qualified deferred compensation plan or program (if any) offered by the Company to its executives.

(d) Long Term Incentive Compensation. During the Term, the Executive shall be entitled to participate in the Option Plan or any successor plan thereto.

(e) Benefits. During the Term, the Executive shall be entitled to participate in the other employee benefit plans, programs and arrangements of the Company now (or, to the extent determined by the Board or Compensation Committee, hereafter) in effect which are applicable to the senior officers of the Company generally, subject to and on a basis consistent with the terms, conditions and overall administration thereof (including the right of the Company to amend, modify or terminate such plans).

(f) Expenses. Pursuant to the Company's customary policies in force at the time of payment, the Executive shall be reimbursed for all expenses properly incurred by the Executive on the Company's behalf in the performance of the Executive's duties hereunder.

(g) Vacation. The Executive shall be entitled to an amount of annual vacation days, and to compensation in respect of earned but unused vacation days in accordance with the Company's vacation policy as in effect as of the Effective Date. The Executive shall also be entitled to paid holidays in accordance with the Company's practices with respect to same as in effect as of the Effective Date.

## 5. Termination.

(a) The Executive's employment hereunder may be terminated by the Company or the Executive, as applicable, without any breach of this Agreement only under the following circumstances and in accordance with subsection (b):

(i) Death. The Executive's employment hereunder shall terminate upon his death.

(ii) Disability. If the Company determines in good faith that the Executive has incurred a Disability, the Company may give the Executive written notice of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive, provided that within such 30 day period the Executive shall not have returned to full-time performance of his duties. The Executive shall continue to receive his Annual Base Salary until the 90th day following the date of the Notice of Termination.

(iii) Termination for Cause. The Company may terminate the Executive's employment hereunder for Cause.

(iv) Resignation for Good Reason. The Executive may terminate his employment hereunder for Good Reason.

(v) Termination without Cause. The Company may terminate the Executive's employment hereunder without Cause.

(vi) Resignation without Good Reason. The Executive may resign his employment hereunder without Good Reason.

(b) Notice of Termination. Any termination of the Executive's employment by the Company or by the Executive under this Section 5 (other than termination pursuant to subsection (a)(i)) shall be communicated by a written notice from the Board or the Executive to the other indicating the specific termination provision in this Agreement relied upon, setting forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and specifying a Date of Termination which, except in the case of Termination by reason of Disability or Termination for Cause pursuant to Section 5(a)(ii) or 5(a)(iii), respectively, shall be at least 90 days following the date of such notice (a "Notice of Termination"). In the event of Termination for Cause pursuant to Section 5(a)(iii), the Executive shall have the right, if the basis for such Cause is curable, to cure the same within 15 days following the Notice of Termination for Cause, and Cause shall not be deemed to exist if the Executive cures the event giving rise to Cause within such 15 day period. In the event of Termination by the Executive for Good Reason pursuant to Section 5(a)(iv), the Company shall have the right, if the basis for such Good Reason is curable, to cure the same within 15 days following the Notice of Termination for Good Reason, and Good Reason shall not be deemed to exist if the Company cures the event giving rise to Good Reason within such 15 day period. The Executive shall continue to receive his Annual Base Salary, annual bonus and all other compensation and prerequisites referenced in Section 4 through the Date of Termination.

## 6. Severance Payments.

(a) Termination for any Reason. In the event the Executive's employment with the Company is terminated for any reason, the Company shall pay the Executive (or his beneficiary in the event of his death) any unpaid Annual Base Salary that has accrued as of the Date of Termination, any unreimbursed expenses due to the Executive in accordance with the Company's expense reimbursement policy and an amount equal to compensation for accrued but unused sick days and vacation days. The Executive shall also be entitled to accrued, vested benefits under the Company's benefit plans and programs as provided therein. The Executive shall be entitled to the additional payments and benefits described below only as set forth herein.

(b) Termination without Cause, Resignation for Good Reason or Termination by Reason of Death or Disability. Subject to Sections 6(c) and (d) and the restrictions contained herein, in the event of the Executive's Termination without Cause (pursuant to Section 5(a)(v)), Resignation for Good Reason (pursuant to Section 5(a)(iv)) or termination by reason of death or Disability (pursuant to Section 5(a)(i) or (ii), respectively), the

Company shall pay to the Executive the amounts described in subsection (a). In addition, subject to Section 6(c) and (d) and the restrictions contained herein, the Company shall do all of the following:

(i) The Company shall pay to the Executive (or his beneficiary in the event of his death) an amount equal to the "Severance Amount" described below. For purposes of this Agreement the Severance Amount is equal to the sum of:

(A) 1.0 times his Annual Base Salary, and

(B) 1.0 times the greater of (I) the total of all bonuses paid (or payable) to executive in respect of the fiscal year ending immediately prior to the Date of Termination, excluding any bonuses that are extraordinary in nature (e.g., a transaction related bonus) or (II) the target bonuses for the fiscal year in which the Date of Termination falls, determined in accordance with the Company's bonus program or programs, if any.

The Severance Amount as so determined shall be payable to the Executive (or his beneficiary) in substantially equal installments of the 12 month period following the Date of Termination (the "Payment Period") in accordance with the Company's regular payroll practices;

(ii) The Company shall offer to the Executive continuation of any health plan coverage of the Executive in accordance with the requirements of applicable law (e.g. COBRA coverage), at a monthly cost to the Executive that is not greater than the monthly cost that the Executive is being charged for such coverage or coverages as of the Date of Termination. The Company may require the Executive to complete and file any election forms that are generally required of other employees to obtain COBRA coverage; and the Executive's COBRA coverage may be terminable in accordance with applicable law.

(c) Benefits Provided Upon Termination of Employment. If the Executive's termination or resignation does not constitute a "separation from service," as such term is defined under Code Section 409A, the Executive shall nevertheless be entitled to receive all of the payments and benefits that the Executive is entitled to receive under this Agreement on account of his termination of employment. However, the payments and benefits that the Executive is entitled to under this Agreement shall not be provided to the Executive until such time as the Executive has incurred a "separation from services" within the meaning of Code Section 409A.

(d) Payments on Account of Termination to a Specified Employee. Notwithstanding the foregoing provisions of Sections 6(a) or 6(b), in the event that the Executive is determined to be a Specified Employee at the time of his termination of employment under this Agreement (or, if later, his "separation from service" under Code Section 409A), to the extent that a payment, reimbursement or benefit under Section 6(b) is considered to provide for a "deferral of compensation" (as determined under Code Section 409A), then such payment, reimbursement or benefit shall not be paid or provided until six months after the Executive's separation from service, or his death, whichever occurs first. Any payments, reimbursements or benefits that are withheld under this provision for the first six months shall be payable in a lump sum on the 181st day after such termination of employment (or, if later, separation from service). The restrictions in this Section 6(d) shall be interpreted and applied solely to the minimum extent necessary to comply with the requirements of Code Section 409A(a)(2)(B). Accordingly, payments, benefits or reimbursements under Section 6(B) or any other part of this Agreement may nevertheless be provided to Executive with the six-month period following the date of Executive's termination of employment under this Agreement (or, if later, his "separation from service" under Code Section 409A), to the extent that it would nevertheless be permissible to do so under Code Section 409A because those payments, reimbursements or benefits are (i) described in Treasury Regulations Section 409A because those payments, reimbursements or benefits are (i) described in Treasury Regulations Section 1.409A-1(b)(9)(iii) (i.e., payments within the limitations therein that are being made on account of an involuntary termination or termination for good reason, within the meaning of the Treasury Regulations), or (ii) benefits described in Treasury Regulations Section 1.409A-1(b)(9)(v) (e.g. health care benefits).

## 7. Competition; Nonsolicitation.

(a) During the Term and, following any termination of Executive's employment, for a period equal to (i) the Payment Period, in the case of a termination of employment for which payments are made pursuant to Section 6(b) hereof, or (ii) 24 months from the date of such termination in the event of a voluntary termination of employment by the Executive without Good Reason, or a termination by the Company for Cause, the Executive shall not, without the prior written consent of the Board, directly or indirectly engage in, or have any interest in, or manage or operate any person, firm, corporation, partnership or business (whether as director, officer, employee, agent, representative, partner, security holder, consultant or otherwise) that engages in any business (other than a business that constitutes

less than 5% of the relevant entity's net revenue and a proportionate share of its operating income) which competes with any business of the Company or any entity owned by it anywhere in the world; provided, however, that the Executive shall be permitted to acquire a stock interest in such a corporation provided such stock is publicly traded and the stock so acquired does not represent more than one percent of the outstanding shares of such corporation.

(b) During the Term and for a period of two years following any termination of the Executive's employment, the Executive shall not, directly or indirectly, on his own behalf or on behalf of any other person or entity, whether as an owner, employee, service provider or otherwise, solicit or induce any person who is or was employed by, or providing consulting services to, the Company or any of its subsidiaries during the twelve-month period prior to the date of such termination, to terminate their employment or consulting relationship with the Company or any such subsidiary.

(c) In the event the agreement in this Section 7 shall be determined by any court of competent jurisdiction to be unenforceable by reason of its extending for too great a period of time or over too great a geographical area or by reason of its being too extensive in any other respect, it shall be interpreted to extend only over the maximum period of time for which it may be enforceable, and/or over the maximum geographical area as to which it may be enforceable and/or to the maximum extent in all other respects as to which it may be enforceable, all as determined by such court in such action.

#### 8. Nondisclosure of Proprietary Information.

(a) Except as required in the faithful performance of the Executive's duties hereunder or pursuant to subsection (c), the Executive shall, in perpetuity, maintain in confidence and shall not directly, indirectly or otherwise, use, disseminate, disclose or publish, or use for his benefit or the benefit of any person, firm, corporation or other entity any confidential or proprietary information or trade secrets of or relating to the Company, including, without limitation, information with respect to the Company's operations, processes, products, inventions, business practices, finances, principals, vendors, suppliers, customers, potential customers, marketing methods, costs, prices, contractual relationships, regulatory status, compensation paid to employees or other terms of employment, except for such information which is or becomes publicly available other than as a result of a breach by the Executive of this Section 8, or deliver to any person, firm, corporation or other entity any document, record, notebook, computer program or similar repository of or containing any such confidential or proprietary information or trade secrets. The parties hereby stipulate and agree that as between them the foregoing matters are important, material and confidential proprietary information and trade secrets and affect the successful conduct of the businesses of the Company (and any successor or assignee of the Company).

(b) Upon termination of the Executive's employment with the Company for any reason, the Executive shall promptly deliver to the Company all correspondence, drawings, manuals, letters, notes, notebooks, reports, programs, plans, proposals, financial documents, or any other documents concerning the Company's customers, business plans, marketing strategies, products or processes and/or which contain proprietary information or trade secrets.

(c) The Executive may respond to a lawful and valid subpoena or other legal process but shall give the Company the earliest possible notice thereof, shall, as much in advance of the return date as possible, make available to the Company and its counsel the documents and other information sought and shall assist such counsel in resisting or otherwise responding to such process.

9. Injunctive Relief. It is recognized and acknowledged by the Executive that a breach of the covenants contained in Sections 7 and 8 will cause irreparable damage to the Company and its goodwill, the exact amount of which will be difficult or impossible to ascertain, and that the remedies at law for any such breach will be inadequate. Accordingly, the Executive agrees that in the event of a breach of any of the covenants contained in Sections 7 and 8, in addition to any other remedy which may be available at law or in equity, the Company shall be entitled to specific performance and injunctive relief.

10. Survival. The expiration or termination of the Term shall not impair the rights or obligations of any party hereto which shall have accrued hereunder prior to such expiration.

11. Binding on Successors. This Agreement shall be binding upon and inure to the benefit of the Company, the Executive and their respective successors, assigns, personnel and legal representatives, executors, administrators, heirs, distributees, devisees, and legatees, as applicable.

12. Governing Law. This Agreement shall be governed, construed, interpreted and enforced in accordance with the substantive laws of the State of Ohio.

13. Validity. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

14. Notices. Any notice, request, claim, demand, document or other communication hereunder to any party shall be effective upon receipt (or refusal of receipt) and shall be in writing and delivered personally or sent by telex, telecopy, or certified or registered mail, postage prepaid, as follows:

(a) If to the Company, to:

TransDigm Group Incorporated  
The Tower at Erieview  
1301 E. 9th Street, Suite 3000  
Cleveland, Ohio 44114  
Attention: W. Nicholas Howley, CEO and Chairman

(b) If to the Executive, to him at the address set forth below under his signature;

or at any other address as any party shall have specified by notice in writing to the other party in accordance with this Section 14.

15. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same agreement.

16. Entire Agreement; Prior Employment Agreement. The terms of this Agreement, together with the Equity Compensation Agreements are intended by the parties to be the final expression of their agreement with respect to the employment of the Executive by the Company and may not be contradicted by evidence of any prior or contemporaneous agreement. The parties further intend that this Agreement, and the aforementioned contemporaneous documents, shall constitute the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever may be introduced in any judicial, administrative, or other legal proceeding to vary the terms of this Agreement.

17. Amendments; Waivers. This Agreement may not be modified, amended, or terminated except by an instrument in writing, signed by the Executive and the Chief Executive Officer. By an instrument in writing similarly executed, the Executive or the Company may waive compliance by the other party or parties with any provision of this Agreement that such other party was or is obligated to comply with or perform; provided, however, that such waiver shall not operate as a waiver of, or estoppel with respect to, any other or subsequent failure. No failure to exercise and no delay in exercising any right, remedy or power hereunder shall preclude any other or further exercise of any other right, remedy or power provided herein or by law or in equity.

18. No Inconsistent Actions. The parties hereto shall not voluntarily undertake or fail to undertake any action or course of action inconsistent with the provisions or essential intent of this Agreement. Furthermore, it is the intent of the parties hereto to act in a fair and reasonable manner with respect to the interpretation and application of the provisions of this Agreement.

19. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three arbitrators in Cleveland, Ohio, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided, however, that the Company shall be entitled to seek a restraining order or injunction in any court of competent jurisdiction to prevent any continuation of any violation of the provisions of Section 7 or 8 of this Agreement and the Executive hereby consents that such restraining order or injunction may be granted without the necessity of the Company's posting any bond; and provided further, that the Executive shall be entitled to seek specific performance of his right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement. Each of the parties hereto shall bear its share of the fees and expenses of any arbitration hereunder.

20. Indemnification and Insurance; Legal Expenses. During the Term and so long as the Executive has not breached any of his obligations set forth in Sections 7 and 8, the Company shall indemnify the Executive to the fullest extent permitted by the laws of the State of Delaware, as in effect at the time of the subject act or omission, and shall advance to the Executive reasonable attorneys' fees and expenses as such fees and expenses are incurred (subject to

an undertaking from the Executive to repay such advances if it shall be finally determined by a judicial decision which is not subject to further appeal that the Executive was not entitled to the reimbursement of such fees and expenses) and he shall be entitled to the protection of any insurance policies the Company shall elect to maintain generally for the benefit of its directors and officers ("Directors and Officers Insurance") against all costs, charges and expenses incurred or sustained by him in connection with any action, suit or proceeding to which he may be made a party by reason of his being or having been a director, officer or employee of the Company or any of its subsidiaries or his serving or having served any other enterprise as a director, officer or employee at the request of the Company (other than any dispute, claim or controversy arising under or relating to this Agreement). The Company covenants to maintain during the Term for the benefit of the Executive (in his capacity as an officer and director of the Company) Directors and Officers Insurance providing customary benefits to the Executive.

(SIGNATURE PAGE FOLLOWS)

IN WITNESS WHEREOF, the parties have executed this Agreement on the date and year first above written.

TRANSDIGM GROUP INCORPORATED

By: /s/ W. Nicholas Howley

Name: W. Nicholas Howley

Title: Chief Executive Officer

EXECUTIVE

/s/ Kevin Frailey

Kevin Frailey

## 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:** W. Nicholas Howley

**Grant Date:** November 13, 2014

**Exercise Price per Share:** \$191.79

**Total Number of Shares Subject to the Option:** 156,190 Shares

**Expiration Date:** November 13, 2024

**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 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

By: /s/ Gregory Rufus

Print  
Name: Gregory Rufus

Title: Chief Financial Officer

Address: \_\_\_\_\_

## PARTICIPANT

By: /s/ W. Nicholas Howley

Print  
Name: W. Nicholas Howley

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 follows or as may be otherwise provided by the Administrator or as set forth in a written agreement between the Company and the Participant:

If the Participant incurs a termination of employment under any of the circumstances described in Section 5(a)(i) (death) of that certain Employment Agreement between the Participant and the Company effective August 28, 2014 (the "Employment Agreement"), Section 5(a)(ii) (Disability) of the Employment Agreement, Section 5(a)(iv) (Resignation for Good Reason of the Employment Agreement or Section 5(a)(v) (Termination without Cause) of the Employment Agreement or if the Participant retires from employment after at least 15 years of service after age 60 or after at least ten years of service after age 65, in each such case vesting will continue after termination of employment as provided below:

<u>Termination Date</u>	<u>Percent of Remaining Options That May Continue to Vest</u>
Prior to October 1, 2015	0%
On or after October 1, 2015 but prior to October 1, 2016	30%
On or after October 1, 2016 but prior to October 1, 2017	60%
On or after October 1, 2017 but prior to October 1, 2018	80%
On or after October 1, 2018 but prior to October 1, 2019	90%
On or after October 1, 2019	100%

The percentage of remaining Options permitted to vest will be spread ratably over the vesting schedule.

(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) and notwithstanding Exhibit B to this Agreement, with respect to any portion of the Options that have not otherwise vested prior to the applicable date set forth below: in the event that prior to September 30, 2019, the closing price of the Company’s common stock on the New York Stock Exchange exceeds two times the Exercise Price of the Options less the amount of dividends per share paid after the date hereof on any 60 trading days during any consecutive 12-month period commencing October 1, 2017, the remaining portion of the unvested Options will vest on September 30, 2019.

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; or

(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; or

(c) The opening of business on the day of the Participant’s Termination of Services by reason of the Participant’s Termination of Employment by reason of a termination by the Company for Cause (as defined in the Participant’s employment agreement, if applicable), unless the Committee, in its discretion, determines that a longer period is appropriate; or

(d) The expiration of six months from the date of the Participant’s Termination of Services, unless such termination occurs by reason of (i) the Participant’s death, (ii) the Participant’s Disability, (iii) the Participant’s retirement (pursuant to Section 3.3(e)), (iv) the Participant’s termination for Cause (as defined in the Participant’s employment, agreement, if applicable) or (v) if the Participant has an employment agreement that defines a termination for “cause” and/or “good Reason,” a termination by the Company without Cause (as defined in the Participant’s employment agreement) or a termination by the Participant for Good Reason (as defined in the 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 seventh day following the opening of the first open trading window thereafter; or

(e) The expiration of one year from the date of the Participant’s Termination of Services by reason of 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; or

(f) The expiration date set forth in clause (a), (i) if the Participant has an employment agreement that defines a termination for “Cause” and/or “Good Reason,” and upon a Participant’s Termination of Services by the Company without Cause (as defined in Participant’s employment agreement or a Termination of Services by the Participant for Good Reason (as defined in Participant’s employment agreement) or (ii) upon the Participant’s death or Disability or (iii) upon the Participant’s retirement from employment after at least 15 years of service after age 60 or after at least ten years of service after age 65.

Notwithstanding the foregoing, if any Option vests after the Participant’s Termination of Services for reasons set forth herein pursuant to Section 3.1 and the Participant has a limit of six months or one year following such Termination of Services to exercise the Option pursuant to paragraph (d) or (3), the Participant shall have six months after the Option vests to exercise such Option.

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>

<u>Fiscal Year (A)</u>	<u>Minimum Vesting (10% Growth)</u>		<u>Maximum Vesting (17.5% Growth)</u>	
	<u>% of Shares Vesting (B)</u>	<u>YE Operating Performance (per Diluted Share) (C)</u>	<u>% of Shares Vesting (D)</u>	<u>YE Operating Performance (per Diluted Share) (E)</u>
2019	25%	\$ 117.46	100%	\$ 163.35

1. Annual Operational Performance Vesting. Effective as of the last day of each of the Company’s fiscal year 2019 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<sup>1</sup> (“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 2017) 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. For purposes of determining whether AOP has been exceeded and the amount of any excess, the YE Operating Performance per Diluted Share applicable to 2017 shall be \$118.31 and to 2018 shall be \$139.02. If the Participant is subsequently awarded options vesting in 2020 and 2021, any AOP during 2019 in excess of the amount indicated in Column (E) (and not previously taken into account hereunder) may be used in one or more of the next two following years by treating such excess as AOP in the performance year under the option agreement granting said options.

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

<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 9.935, as adjusted for the weighted EBITDA multiple of future acquisitions as determined by the Committee.

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. Further, in the event that the Company pays a special dividend, the AOP targets shall be adjusted as determined by the Administrator in accordance with past practice.

## 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 **\$10,000** (the "Retention Limit"), one-half of which must be retained in stock. 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 (d).

(c) Participant shall not be obligated to comply with the Retention Limit until five years from the date of grant; provided, however, that notwithstanding the foregoing, Participant may not make any sales of vested Options until the Retention Limit is reached, and thereafter, only to the extent that Participant would, at the time of the sale, be in compliance with the Retention Limit, except that Participants may make sales under 10b5-1 plans in existence on the date hereof so long as such sales would be in compliance with any preexisting Retention Limit.

(d) 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.

## 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 internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors:
  - (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: January 30, 2015

/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 internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors:
  - (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: January 30, 2015

/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 27, 2014 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: January 30, 2015

/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 27, 2014 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: January 30, 2015

*/s/ Gregory Rufus*

---

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