

TransDigm Group INC  
Form DEF 14A  
January 23, 2012

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, DC 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**

Filed by the Registrant  Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only** (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Rule 14a-12

**TRANSDIGM GROUP INCORPORATED**

(Name of Registrant as Specified in Its Charter)

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**TRANSDIGM GROUP INCORPORATED**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

Notice is hereby given that the Annual Meeting of Stockholders of TransDigm Group Incorporated, a Delaware corporation (the Company), will be held at 1301 East Ninth Street, 4<sup>th</sup> Floor, Cleveland, Ohio 44114, on Thursday, February 23, 2012, at 9:00 a.m., local time, for the following purposes:

1. To elect three directors, each to serve a three-year term and until a successor has been duly elected and qualified;
2. To conduct an advisory vote on compensation paid to the Company's named executive officers;
3. To ratify the selection of Ernst & Young LLP as the Company's independent accountants for the Company's fiscal year ending September 30, 2012; and
4. To transact such other business as may properly come before the meeting.

Only stockholders of record at the close of business on January 3, 2012 will be entitled to notice of and to vote at the meeting or any adjournment of the meeting. Stockholders are urged to complete, date and sign the enclosed proxy and return it in the enclosed envelope.

By order of the Board of Directors,  
GREGORY RUFUS  
*Secretary*

Dated: January 23, 2012

**YOUR VOTE IS IMPORTANT. PLEASE SIGN, DATE AND RETURN YOUR PROXY.**

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDERS MEETING  
TO BE HELD ON FEBRUARY 23, 2012.**

**The Proxy Statement and Proxy Card are available at**

*<http://www.transdigm.com/phoenix.zhtml?c=196053&p=irol-irhome>*

**TRANSDIGM GROUP INCORPORATED**

**PROXY STATEMENT**

The Company's Board of Directors is sending you this proxy statement to ask for your vote as a stockholder of TransDigm Group Incorporated (the Company) on certain matters to be voted on at the upcoming annual meeting of stockholders, which will be held at 1301 East Ninth Street, 4<sup>th</sup> Floor, Cleveland, Ohio 44114, on Thursday, February 23, 2012, at 9:00 a.m., local time. The Company is mailing this proxy statement and the accompanying notice and proxy form, along with the Company's Annual Report to Stockholders, on or about January 23, 2012.

**ABOUT THE MEETING**

***What is the purpose of the annual meeting of stockholders?***

At the Company's annual meeting of stockholders, stockholders will act upon matters outlined in the accompanying notice of meeting, including the election of three directors, an advisory vote on executive compensation and ratification of the Company's selection of its independent accountants. The Company is not aware of any other matter that will be presented for your vote at the meeting.

***Who is entitled to vote?***

Only stockholders of record at the close of business on the record date, January 3, 2012, are entitled to receive notice of the meeting and to vote the shares of common stock that they held on the record date at the meeting, or any postponement or adjournment of the meeting. Each outstanding share of common stock entitles its holder to cast one vote on each matter to be voted on. As of the record date, the Company had outstanding 50,607,635 shares of common stock.

***Who can attend the meeting?***

Only stockholders as of the record date, or their duly appointed proxies, may attend the meeting. Please note that if you hold your shares in street name (that is, through a broker or other nominee), your name does not appear in the Company's records, and you will need to bring a copy of your brokerage statement reflecting your ownership of shares of common stock as of the record date.

***When and where is the meeting?***

The meeting will be held at 1301 East Ninth Street, 4<sup>th</sup> Floor, Cleveland, Ohio 44114, on Thursday, February 23, 2012, at 9:00 a.m., local time. For directions to the meeting, call Investor Relations at (216) 706-2945.

***Who is soliciting my proxy?***

This solicitation of proxies is made by and on behalf of the Company's Board of Directors. The Company will bear the cost of the solicitation of proxies. In addition to the solicitation of proxies by mail, regular employees of the Company and its subsidiaries may solicit proxies by telephone, facsimile or email. Those employees will not receive any additional compensation for their participation in the solicitation.

***How do I vote by proxy?***

Whether or not you plan to attend the annual meeting, the Company urges you to complete, sign and date the enclosed proxy form and to return it in the envelope provided. Returning the proxy form will not affect your right to attend the annual meeting.

If you properly complete your proxy form and send it to the Company in time to vote, your proxy (one of the individuals named in the proxy form) will vote your shares as you have directed. If you sign the proxy form but do not make specific choices, your proxy will vote your shares as recommended by the Board of Directors to elect the director nominees listed in Election of Directors, in favor of the proposal to approve the compensation paid to the Company's named executive officers and in favor of ratification of the selection of Ernst & Young as the Company's independent accountants.

If any other matter is presented, your proxy will vote in accordance with his best judgment. As of the date of this proxy statement, the Company is not aware of other matters to be acted on at the annual meeting other than those matters described in this proxy statement.

***May I revoke my proxy?***

If you give a proxy, you may revoke it at any time before it is exercised by giving written notice to the Company at its principal executive offices located at 1301 East Ninth Street, Suite 3000, Cleveland, Ohio 44114, or by giving notice to the Company in open meeting. It is important to note that your presence at the annual meeting, without any further action on your part, will not revoke your previously granted proxy.

***What constitutes a quorum?***

The presence at the annual meeting, either in person or by proxy, of the holders of a majority of the aggregate number of shares of common stock outstanding on the record date will represent a quorum permitting the conduct of business at the meeting. Proxies received by the Company marked as abstentions or broker non-votes will be included in the calculation of the number of shares considered to be present at the meeting.

***What vote is required to approve each proposal assuming that a quorum is present at the Annual Meeting?***

The three nominees receiving the greatest number of votes FOR election will be elected as directors. If you do not vote for a particular director nominee, or if you indicate WITHHOLD AUTHORITY for a particular nominee on your proxy form, your vote will not count either for or against the nominee. If your shares are held in street name by a broker or nominee indicating on a proxy that it does not have authority to vote on this or any other proposal, this will result in a broker non-vote, which will not count as a vote for or a vote against any of the nominees.

The approval of executive compensation is an advisory vote; however, the Board of Directors and the Compensation Committee will consider the affirmative vote of a majority of the shares voting on the proposal as approval of the compensation paid to the Company's named executive officers. Broker non-votes will not have a positive or negative effect on the outcome of this proposal. Abstentions will have the same effect as a vote against the proposal.

Although the Company's independent accountants may be selected by the Audit Committee of the Board of Directors without stockholder approval, the Audit Committee will consider the affirmative vote of a majority of the shares voting on the proposal to be a ratification by the stockholders of the selection of Ernst & Young LLP as the Company's independent accountants. Broker non-votes will not have a positive or negative effect on the outcome of this proposal. Abstentions will have the same effect as a vote against the proposal.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of the common stock of the Company as of December 9, 2011 with respect to each person known to be a beneficial owner of more than five percent of the outstanding common stock, each director and named executive officer of the Company and all directors and executive officers of the Company as a group. Except as indicated in the footnotes to this table and subject to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of common stock listed as beneficially owned by them. None of the shares held by directors or executive officers are pledged.

Beneficial Owner	Amount and Nature of Common Stock Beneficially Owned <sup>(1)</sup>			
	Shares	Shares Subject to Options Currently Exercisable or Exercisable within 60 Days	Total Number of Shares	Percentage of Class
Berkshire Fund VII, L.P. <sup>(2)</sup>	4,891,194		4,891,194	9.69%
Pennant Capital Management, L.L.C. <sup>(3)</sup>	2,960,978		2,960,978	5.86%
Lone Pine Capital LLC <sup>(4)</sup>	3,089,601		3,089,601	6.12%
<i>Directors</i>				
William Dries	167	750	917	*
Mervin Dunn	1,301	7,155	8,456	*
Michael Graff <sup>(5)</sup>	20,194	55,251	75,445	*
Sean P. Hennessy	14,772	7,155	21,927	*
W. Nicholas Howley <sup>(6)</sup>		805,455	805,455	1.57%
Douglas W. Peacock <sup>(7)</sup>	19,333	7,155	26,488	*
Robert J. Small <sup>(8)</sup>	4,896,234	1,815	4,898,049	9.70%
<i>Named Executive Officers</i>				
Raymond F. Laubenthal	60,069	340,458	400,527	*
Gregory Rufus		148,839	148,839	*
James Riley <sup>(9)</sup>		151,101	151,101	*
Bernt G. Iversen II		84,560	84,560	*
<i>All directors and executive officers as a group (13 persons)</i> <sup>(10)</sup>	5,012,070	2,029,074	7,041,144	13.41%

\* less than 1%

- (1) Includes shares of which the listed beneficial owner is deemed to have the right to acquire beneficial ownership under Rule 13d-3 under the Securities Exchange Act, as amended (the Exchange Act), within 60 days of December 9, 2011. The number of shares outstanding used in calculating the percentage of beneficial ownership for each person listed below includes the shares underlying options held by such persons that are exercisable within 60 days of December 9, 2011, but excludes shares underlying options held by any other person. Percentage of ownership is based on 50,489,380 shares of common stock of the Company outstanding as of December 9, 2011.
- (2) Information obtained from a Schedule 13D/A filed by Berkshire Fund VII, L.P. ( Fund VII ), Berkshire Fund VII-A, L.P. ( Fund VII-A ), Berkshire Investors LLC ( Investors ), Berkshire Investors III LLC ( Investors III ), Stockbridge Fund, L.P. (f/k/a Stockbridge Special Situations Fund, L.P.) ( SF ), Stockbridge Partners LLC ( SP ), Stockbridge Fund M, L.P. ( SFM ), Stockbridge Absolute Return Fund, L.P. ( SARF ) and Stockbridge Master Fund (OS), L.P. ( SOS ) on June 6, 2011 and from information obtained from Berkshire Partners LLC. Seventh Berkshire Associates LLC, a Massachusetts limited liability company ( 7BA ), is the general partner of Fund VII and Fund VII-A. Stockbridge Associates LLC, a Delaware limited liability company ( SA ), is the general partner of SF, SFM, SARF and SOS. The managing members of 7BA are Michael C. Ascione, Bradley M. Bloom, Jane Brock-Wilson, Kevin T. Callaghan, Carl Ferenbach, Christopher J. Hadley, Sharlyn C. Heslam, Elizabeth L. Hoffman,

Ross M. Jones, Lawrence S. Hamelsky, Richard K. Lubin, Joshua A. Lutzker, David R. Peeler and Robert J. Small (the Berkshire Principals). Mr. Small is a director of the Company. The Berkshire Principals are also the managing members of Investors, Investors III and SA. Fund VII, Fund VII-A, Investors, Investors III, SF, SP, SFM, SARF and SOS often make acquisitions in, and dispose of, securities of an issuer on the same terms and conditions and at the same time. Berkshire Partners LLC, a Massachusetts limited liability company (Berkshire Partners), is the investment advisor to Fund VII and Fund VII-A (collectively, the Funds). Berkshire Partners, the Funds and 7BA acknowledge that they are part of a group for purposes of Section 13(d)(3) of the Exchange Act. Investors, Investors III, SF, SA, SP, SFM, SARF and SOS may also be deemed to constitute a part of a group along with Berkshire Partners, the Funds and 7BA for purposes of Section 13(d)(3) of the Act. However, the filing parties do not admit that Investors, Investors III, SF, SA, SP, SFM, SARF or SOS are a part of a group, or have agreed to act as a part of a group. Fund VII directly holds 3,406,694 shares of common stock with sole voting and dispositive power. Fund VII-A directly holds 636,891 shares of common stock with sole voting and dispositive power. As the sole general partner of Fund VII and VII-A, 7BA may be deemed to beneficially own 4,043,585 shares of common stock held by Fund VII-A; however, 7BA disclaims beneficial ownership thereof. As investment advisor to Fund VII and Fund VII-A, Berkshire Partners may be deemed to beneficially own shares of common stock held by Fund VII and Fund VII-A; however, Berkshire Partners disclaims beneficial ownership thereof. Investors owns 67,357 shares of common stock with sole voting and dispositive power. Investors III owns 17,090 shares of common stock with sole voting power and dispositive power. SF directly holds 479,985 shares of common stock with sole voting and dispositive power. SFM directly holds 76,517 shares of common stock with sole voting and dispositive power. SARF directly holds 3,497 shares of common stock with sole voting and dispositive power. SOS directly holds 44,501 shares of common stock with sole voting and dispositive power. As the sole general partner of SF, SFM and SARF, SA may be deemed to beneficially own shares of common stock held by SF, SFM and SARF. However, SA disclaims beneficial ownership of such shares of common stock. SP manages investments for its clients and has limited discretionary voting power in respect of common stock. SP owns 158,662 shares of common stock over which it shares voting power and has full dispositive power. By virtue of their positions as managing members of 7BA, Investors, Investors III, SA and Berkshire Partners, the Berkshire Principals may be deemed to possess indirect beneficial ownership of the shares of common stock beneficially owned by Fund VII, Fund VII-A, Investors, Investors III, SF, SFM, SARF, SOS and SP. However, none of the Berkshire Principals, acting alone, has voting or investment power with respect to shares beneficially owned by Fund VII, Fund VII-A, Investors, Investors III, SF, SFM, SARF, SOS or SP, and, as a result, each Berkshire Principal disclaims beneficial ownership of such shares of common stock. Two of the Berkshire Principals beneficially own shares of common stock, which are not reported as holdings under the Fund VII line item in the table above. Robert J. Small, a director of the Company, owns and has sole voting and dispositive power with respect to 5,000 shares of common stock (which are separately reported in the table) (see footnote (8) below). Ross M. Jones is a trustee of a foundation that owns 4,000 shares of common stock and has shared voting and shared dispositive power with respect thereto. The address of each reporting person is c/o Berkshire Partners LLC, 200 Clarendon Street, 35<sup>th</sup> Floor, Boston, Massachusetts 02116.

- (3) Number of shares held obtained from a Form 13F-HR filed by Pennant Capital Management, L.L.C. with the Securities Exchange Commission on November 14, 2011 with respect to its holdings as of September 30, 2011. Contact and related party/filing person information obtained from a Schedule 13G/A filed by Alan Fournier, Pennant Capital Management, L.L.C. and Pennant Windward Master Fund, L.P. with the Securities Exchange Commission on February 14, 2011. Mr. Fournier and Pennant Capital Management have shared power to vote and dispose of the shares. The addresses of both Mr. Fournier and Pennant Capital Management, L.L.C. is 26 Main Street, Suite 203, Chatham, New Jersey 07928.
- (4) Number of shares held obtained from a Form 13F-HR filed by Lone Pine Capital LLC with the Securities Exchange Commission on November 14, 2011 with respect to its holdings as of September 30, 2011. Information obtained from a Schedule 13G/A filed February 15, 2011 by Lone Spruce, L.P. ( Lone Spruce ), Lone Balsam, L.P. ( Lone Balsam ), Lone Sequoia, L.P. ( Lone Sequoia ), Lone Cascade, L.P. ( Lone Cascade ), Lone Sierra, L.P. ( Lone Sierra ), Lone Pine Associates LLC ( Lone Pine Associates ), Lone Pine Members LLC ( Lone Pine Members ), Lone Pine Capital LLC ( Lone Pine Capital ) and



Stephen F. Mandel, Jr. Shares are directly owned by Lone Spruce, Lone Balsam, Lone Sequoia, Lone Cascade and Lone Sierra. Lone Pine Associates may be deemed to beneficially own the shares held by Lone Spruce, Lone Balsam and Lone Sequoia. Lone Pine Members may be deemed to beneficially own the shares held by Lone Cascade and Lone Sierra. In addition, Lone Pine Capital is the investment manager for Lone Cypress, Ltd. ( Lone Cypress ), Lone Kauri, Ltd. ( Lone Kauri ) and Lone Monterey Master Fund, Ltd. ( Lone Monterey Master Fund ) and may be deemed to beneficially own shares held by each of them. Mr. Mandel may be deemed to beneficially own the shares held by Lone Spruce, Lone Balsam, Lone Sequoia, Lone Cascade, Lone Sierra, Lone Cypress, Lone Kauri and Lone Monterey Master Fund. The address of the business office of each of the foregoing persons is Two Greenwich Plaza, Greenwich, Connecticut 06830.

- (5) Includes 3,382 shares held by Mr. Graff as custodian for minor children.
- (6) Includes options to purchase 43,537 shares that are held by Bratenahl Investments, Ltd. By virtue of his indirect ownership interest in Bratenahl Investments, Ltd., Mr. Howley may be deemed to be the beneficial owner (within the meaning of Rule 13d-3 under Exchange Act) of the options that are owned by Bratenahl Investments, Ltd. Mr. Howley disclaims beneficial ownership of all options owned by Bratenahl Investments, Ltd. and reported herein as beneficially owned except to the extent of any pecuniary interest therein.
- (7) Includes 18,546 shares held by The Lois A. Peacock Revocable Trust, a trust of which Mr. Peacock's wife is the trustee and Mr. Peacock is a beneficiary.
- (8) Includes 4,891,194 shares held by entities related to Berkshire Fund VII, L.P. (see footnote (2) above). Mr. Small disclaims beneficial ownership of all shares owned by the Berkshire entities except to the extent of any pecuniary interest therein.
- (9) Mr. Riley voluntarily resigned from the Company effective December 31, 2011.
- (10) Includes shares subject to options exercisable within 60 days of December 9, 2011. Includes (i) 3,382 shares held by Mr. Graff as a custodian for minor children (see footnote (5) above), (ii) 43,537 options to purchase shares of common stock, which Mr. Howley may be deemed to beneficially own by virtue of his indirect ownership interest in Bratenahl Investments, Ltd. (see footnote (6) above), and (iii) 18,546 shares held by The Lois A. Peacock Revocable Trust, which Mr. Peacock may be deemed to beneficially own (see footnote (7) above).

#### **PROPOSAL ONE: ELECTION OF DIRECTORS**

The Company's Board of Directors is divided into three staggered classes of directors, each consisting of the same or nearly the same number of directors. The total number of directors is currently fixed at seven. At each annual meeting of stockholders, a class of directors is elected for a three-year term to succeed the directors of the same class whose terms are then expiring. At the annual meeting, the terms of the Class III directors are expiring. Unless you specify otherwise, the shares of common stock represented by your proxy will be voted to re-elect Messrs. Dries, Howley and Small. The three nominees receiving the most votes will be elected as Class III directors. If elected, each nominee will serve as a director for a three-year term and until his successor is duly elected and qualified.

If for any reason any of the nominees is not a candidate when the election occurs (which is not expected), the Board of Directors intends that proxies will be voted for the election of a substitute nominee designated by the Board of Directors as recommended by the Nominating and Corporate Governance Committee. The following information is furnished with respect to each person nominated for election as a director.

**Nominees for Election as Class III Directors at the Annual Meeting**

<b>Name</b>	<b>Age</b>	<b>Length of Service as Director</b>	<b>Position with the Company</b>
W. Nicholas Howley	59	Since 2003	Chief Executive Officer and Chairman of the Board of Directors of the Company
William Dries	60	Since 2011	Director
Robert Small	45	Since 2010	Director

Mr. Howley was named Chairman of the Board of Directors in July 2003. Mr. Howley has served as Chief Executive Officer of the Company since December 2005 and of TransDigm Inc. since December 2001. Mr. Howley served as President of the Company from July 2003 until December 2005 and served as President of TransDigm Inc. from December 1998 through September 2005. Mr. Howley is a director of Polypore International, Inc., an NYSE-listed manufacturer of polymer-based membranes. Through October 2011, Mr. Howley was a director of Satair A/S, a Danish public company that is an aerospace distributor, including a distributor of the Company's products.

Mr. Dries was named a director of the Company in April 2011. Mr. Dries is a certified public accountant. From 2002 until 2011, was Senior Vice President and Chief Financial Officer of EnPro Industries, Inc., a manufacturer of engineered industrial products. Prior to that, Mr. Dries served as a consultant to Goodrich Corporation and was employed by Coltec Industries Inc., United Dominion Industries, Inc. and Ernst & Young LLP. Mr. Dries is a director of Polypore International, Inc., an NYSE-listed manufacturer of polymer-based membranes. Mr. Dries was appointed as a director by the Board of Directors in April 2011 at the recommendation of the Nominating and Governance Committee.

Mr. David Barr, a former director and a managing director of Warburg Pincus who had originally served on the Board as a representative of Warburg, had indicated that he would like to resign from the Board in light of the fact that Warburg no longer owned shares in the Company. Messrs. Graff and Howley suggested Mr. Dries as a possible director candidate, having served with Mr. Dries on the board of directors of Polypore International. Mr. Dries was one of several potential directors discussed by the Nominating and Corporate Governance Committee. Mr. Dries was ultimately recommended by the Nominating and Corporate Governance Committee in light of his qualifications discussed under CORPORATE GOVERNANCE Nominating and Corporate Governance Committee.

Mr. Small was named a director of the Company in March 2010. Mr. Small has been a Managing Director of Berkshire Partners LLC, a private equity investment firm, since 2000 and initially joined the firm in 1992. For the past four years, Mr. Small has directed Stockbridge Partners LLC, a specialized investment group within Berkshire focused on marketable securities, since its inception in 2007. Mr. Small was formerly a director of Hexcel Corporation, a composite materials producer primarily for aerospace and wind energy applications.

**The Board of Directors recommends that the stockholders vote FOR the nominees for election set forth above.**

**Business Experience of Class I and Class II Directors**

The following table sets forth certain information concerning the Company's other directors:

<b>Name</b>	<b>Age</b>	<b>Position with the Company</b>
Mervin Dunn	58	Director
Michael Graff	60	Director
Sean P. Hennessy	54	Director
Douglas W. Peacock	73	Director

Mr. Dunn was named a director of the Company in September 2007. Mr. Dunn is the Chief Executive Officer of Commercial Vehicle Group, Inc., a NASDAQ-listed supplier of systems for the commercial vehicle market. Mr. Dunn has been with Commercial Vehicle Group, Inc. since November 1999. Mr. Dunn is also a director of Commercial Vehicle Group, Inc.

Mr. Graff was named a director of the Company in July 2003. Mr. Graff has served as a member and managing director of Warburg Pincus LLC and as a general partner of Warburg Pincus & Co., a private equity firm, since October 2003. Mr. Graff served as an advisor to Warburg Pincus LLC from July 2002 until October 2003. Prior to joining Warburg Pincus, Mr. Graff was President and Chief Operating Officer of Bombardier Aerospace, an aerospace manufacturer. Mr. Graff is a director of Builders FirstSource, Inc., a NASDAQ-listed manufacturer and distributor, and Polypore International, Inc., an NYSE-listed manufacturer of polymer-based membranes.

Mr. Hennessy was named a director of the Company in April 2006. Mr. Hennessy has served as the Chief Financial Officer of The Sherwin Williams Company, a manufacturer and distributor of coatings and related products, since 2001. Mr. Hennessy is a certified public accountant.

Mr. Peacock was named a director of the Company in July 2003. Mr. Peacock was a founder of TransDigm Inc. and served as its President from 1993 to 1998, its Chief Executive Officer from 1993 to 2001 and its Chairman from 1993 until July 2003.

#### **DIRECTOR COMPENSATION**

Mr. Howley, the only director who is also an employee of the Company, does not receive any director fees. In 2011, compensation for non-employee directors included the following:

An annual retainer fee of \$30,000, with such fee being paid, at the option of each director, either in cash or shares of the Company's common stock, paid semi-annually in arrears.

A fee of \$2,500 for each meeting of the Board of Directors attended, paid semi-annually in arrears.

A fee of \$1,000 for each meeting of any committee of the Board of Directors attended, paid semi-annually in arrears.

An additional retainer of \$15,000 to the chairman of the Audit Committee, paid semi-annually in arrears.

An additional retainer of \$5,000 to the chairmen of the Compensation and Nominating and Governance Committees, paid semi-annually in arrears.

In addition, the Company had historically paid a \$10,000 annual stock grant to directors. However, in fiscal 2009, the Board determined that the directors would instead receive approximately \$50,000 (valued on a Black Scholes basis) of stock options granted on the same terms and conditions as those granted to Company employees, which would provide compensation for services provided in each of fiscal years 2009 through 2013. The grants, made in November 2008 to non-employee directors serving at that time, were to purchase 15,900 shares of common stock at a price of \$27.08 and vest over five years. Mr. Small received a grant of options to purchase 5,500 shares of common stock on April 23, 2010 at a price of \$56.71, which options will vest over three and a half years and are in lieu of annual equity compensation for Mr. Small's service as a director for fiscal 2010 through 2013. Mr. Dries received a grant of options to purchase 3,000 shares of common stock on April 28, 2011 at a price of \$81.50, which options will vest over two and a half years and are in lieu of annual equity compensation for Mr. Dries' service as a director for fiscal 2011 through 2013. The terms of the options are discussed in greater detail under Executive Compensation.

In addition, pursuant to an agreement entered into in 1999 between TransDigm Inc. and Mr. Peacock, TransDigm Inc. is obligated to provide Mr. Peacock and his wife medical and dental insurance coverage comparable to that they were receiving at the time of Mr. Peacock's retirement. In light of the Company's transition to self-insurance, in 2007 TransDigm Inc. and Mr. Peacock agreed that TransDigm Inc. would satisfy its obligations under the 1999 agreement by paying for Mr. Peacock's Medicare and dental insurance coverage, Mrs. Peacock's medical and dental insurance coverage, and supplemental medical reimbursement coverage for

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both Mr. and Mrs. Peacock, less the amount of any Company employee portion of the premium under the Company's self-insurance program as if Mr. and Mrs. Peacock were covered under those benefit plans. TransDigm Inc. also agreed to retain a health insurance consultant to assist Mr. and Mrs. Peacock in evaluating coverage and handling the administrative burden of the Medicare and insurance enrollment process at the outset and thereafter managing claims issues. These payments are made on a grossed-up basis for federal income tax purposes, but no gross-up payment related to fiscal 2011 has yet been made. The cost of coverage and related services under these arrangements in fiscal 2011 was \$27,240 and the cost of the gross-up payment for 2010, paid in January 2011, was \$12,436.

The following table sets forth the compensation paid to the Company's non-employee directors during 2011:

Name	Fees Earned or Paid in Cash (\$) <sup>(1)</sup>	Stock Awards (\$) <sup>(1)</sup>	Option Awards (\$) <sup>(2)</sup>	All Other Compensation (\$) <sup>(3)</sup>	Total (\$)
David Barr <sup>(4)</sup>	10,013	29,926			39,939
William Dries <sup>(4)</sup>	9,062	14,938			24,000
Mervin Dunn	24,074	29,926		19,829	73,829
Michael Graff	29,574	29,926		19,829	79,329
Sean P. Hennessy	41,574	29,926		19,829	91,329
Douglas W. Peacock	61,500			59,505	121,005
Robert J. Small	59,500				59,500

- (1) Messrs. Barr, Dries, Dunn, Graff and Hennessy elected to receive all of their semi-annual board retainer fees as stock. The shares were issued on March 15, 2011 (except to Mr. Dries, who was not then serving) and September 15, 2011 (except to Mr. Barr, who was not then serving), on which dates the closing prices of the common stock on the New York Stock Exchange were \$79.72 and \$89.45, respectively.
- (2) The amount reported represents the grant date fair value of stock options awarded during 2011 under the Company's 2006 Stock Incentive Plan. See Note 16 of Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for fiscal year 2011 for information on the grant date fair value of awards and a description of the assumptions used in that computation.
- (3) Includes amounts paid under the Company's dividend equivalent plans (and, for Mr. Graff, an amendment to his option agreement dated June 2004 to conform the dividend equivalent payment provisions in his option agreement to the dividend equivalent plans). Also includes \$39,676 for Mr. Peacock, constituting the net amounts paid to or on behalf of Mr. Peacock or his wife for medical insurance coverage or medical claims pursuant to the agreement between Mr. Peacock and TransDigm Inc. described above.
- (4) Mr. Barr resigned from the Board on April 14, 2011. Mr. Dries was appointed director April 19, 2011, replacing Mr. Barr.

### CORPORATE GOVERNANCE

#### *Corporate Governance Guidelines*

The Board of Directors has adopted Corporate Governance Guidelines, which guide the Board of Directors in the performance of its responsibilities to serve the best interests of the Company and its stockholders. A copy of the Company's Corporate Governance Guidelines is posted on the Company's website, [www.transdigm.com](http://www.transdigm.com), under Investor Relations Corporate Governance and is available to any stockholder in writing upon request to the Company. The Board of Directors reviews the Corporate Governance Guidelines periodically.

#### *Codes of Ethics & Whistleblower Policy*

The Company is committed to integrity and ethical behavior and has adopted a Code of Ethics for Senior Financial Officers, a Code of Business Conduct and Ethics and a Whistleblower Policy.

*Code of Ethics for Senior Financial Officers.* The Company has a Code of Ethics for Senior Financial Officers that applies to the chief executive officer, president and chief operating officer, chief financial officer, division presidents, controllers, director of treasury management and chief internal auditor (collectively, Senior Financial Officers ) of the Company. This code requires Senior Financial Officers to act with honesty and integrity; to endeavor to provide information that is full, fair, accurate, timely and understandable in all reports and documents that the Company files with, or submits to, the Securities and Exchange Commission and other public filings or communications made by the Company; to endeavor to comply with all laws, rules and regulations of federal, state and local governments and all applicable private or public regulatory agencies; to not knowingly or recklessly misrepresent material facts or allow their independent judgment to be compromised; to not use for personal advantage confidential information acquired in the course of their employment; to proactively promote ethical behavior among peers and subordinates in the work place; and to promptly report any violation or suspected violation of this code to the Audit Committee. Only the Audit Committee or the Board of Directors may waive any provision of the code with respect to a Senior Financial Officer. Any such waiver, or any amendment to the code, will be promptly disclosed on the Company's website and as otherwise required by rule or regulation. This code is posted on the Company's website, [www.transdigm.com](http://www.transdigm.com), under Investor Relations Corporate Governance and is available to any stockholder in writing upon request to the Company.

*Code of Business Conduct and Ethics.* The Company also has a Code of Business Conduct and Ethics that addresses the Company's commitment to honesty, integrity and the ethical behavior of the Company's employees, officers and directors. This code governs the actions, interactions and working relationships of the Company's employees, officers and directors with customers, fellow employees, competitors, government and self-regulatory agencies, investors, the public, the media, and anyone else with whom the Company has or may have contact. The code sets forth the expectation that employees, officers and directors will conduct business legally and addresses conflict of interest situations, protection and use of Company assets, corporate opportunities, fair dealing, confidentiality and reporting of illegal or unethical behavior. Only the Board of Directors or the Nominating and Corporate Governance Committee may waive any provision of the code with respect to an executive officer or director. Any such waiver will be promptly disclosed on the Company's website and as otherwise may be required by rule or regulation. This code is posted on the Company's website, [www.transdigm.com](http://www.transdigm.com), under Investor Relations Corporate Governance and is available to any stockholder in writing upon request to the Company.

*Whistleblower Policy.* The purpose of the Whistleblower Policy is to encourage all employees to disclose any alleged wrongdoing that may adversely impact the Company, the Company's customers, stockholders, fellow employees, investors or the public at large without fear of retaliation. The policy sets forth procedures for the reporting of alleged financial (including auditing, accounting and internal control matters) and non-financial wrongdoing by employees on a confidential and anonymous basis and by other interested third parties, and a process for investigating such reported acts of alleged wrongdoing and retaliation. Reports may be made directly to the Chief Financial Officer, the Audit Committee or to Business Controls, Inc., a third party service retained on behalf of the Audit Committee. The Audit Committee receives notices of complaints reported under the policy and oversees the investigation of such complaints. The Whistleblower Policy is posted on the Company's website, [www.transdigm.com](http://www.transdigm.com), under Investor Relations Corporate Governance and is available to any stockholder in writing upon request to the Company.

#### **Board Composition**

The Company's Board of Directors is divided into three staggered classes of directors, each consisting of the same or nearly the same number of directors. At each annual meeting of stockholders, a class of directors is elected for a three-year term to succeed the directors of the same class whose terms are then expiring. The terms of the directors will expire upon election and qualification of successor directors at the Annual Meeting of Stockholders to be held during the years 2012 for the Class III directors (the meeting to which this proxy statement relates), 2013 for the Class I directors and 2014 for the Class II directors.

The Class I directors are Messrs. Dunn and Graff;

The Class II directors are Messrs. Hennessy and Peacock; and

The Class III directors are Messrs. Dries, Howley and Small.

The Company's amended and restated certificate of incorporation and bylaws provide that the number of directors shall be fixed from time to time by a resolution of the majority of its Board of Directors. The number of directors is currently fixed at seven. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class shall consist of one-third of the directors. The division of the Company's Board of Directors into three classes with staggered three-year terms may delay or prevent a change of the Company's management or a change in control.

#### **Independence of Directors**

During fiscal 2011 all of the directors, other than Mr. Howley, were considered to be independent directors within the meaning of the New York Stock Exchange's listing standards. In determining that Mr. Peacock was independent, the Board considered the insurance arrangement between Mr. Peacock and the Company described in this proxy statement under Director Compensation. The Company does not have separate criteria for determining independence, different from the NYSE listing standards.

The Board of Directors reviews periodically the relationships that each director or nominee has with the Company (either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company). Those directors or nominees whom the Board affirmatively determines have no material relationship with the Company (either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company) as specified in the listing standards of the NYSE will be considered independent.