BANK OF SOUTH CAROLINA CORP
Form 4
August 16, 2007

FORM 4

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

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
LANE C HUGH JR

(Last) (First) (Middle)

P. O. BOX 538

(Street)

CHARLESTON, SC 294020538

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
BANK OF SOUTH CAROLINA CORP [BKSC]

3. Date of Earliest Transaction (Month/Day/Year)
08/15/2007

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director __X__ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
President & CEO

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	08/15/2007		P		200	A	$ 15.1	4,700	I	Unallocated Shares as a Trustee of ESOP
Common Stock								268,469	D	
Common Stock								9,831	I	As A Trustee/Mills Bee Lane Fndtn
Common Stock								1,512	I	As Co-Trustee/HCL Irrev Trust
Common Stock								11,433	I	As Co-Trustee/Jost Trust

Common Stock	786	I	As Co-Trustee/Schenck Trust
Common Stock	49,445	I	As Trustee, HCL Trust for Grandchildren
Common Stock	15,081	I	As Trustee/Beverly Glover Lane Trust
Common Stock	46,578	I	As Trustee/Marital Trust fbo B G Lane
Common Stock	33,978	I	By ESOP
Common Stock	12,764	I	By Spouse
Common Stock	48,965	I	Wife as Cust for Son

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
								Date Exercisable	Expiration Date	Title	Amount or Number of Shares		
				Code	V	(A)	(D)						

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
	X	X	President & CEO	

LANE C HUGH JR
P. O. BOX 538
CHARLESTON, SC 294020538

Signatures

By: Janice B. Stanley, Attorney In Fact for — 08/16/2007

**Signature of Reporting Person — Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Remarks:

Disclaims beneficial ownership as a Trustee of 177,051 shares owned by the BKSC ESOP, which have been allocated to mem

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. IGN="bottom"> 120.65

S&P MidCap 400 S&P Aerospace & Defense

100.00 61.91 61.22 79.22 79.31 98.32

The Board of Directors commended the management team s leadership in the Company s achieving its business plan in a softening market and performing well as compared to its peers, while continuing to pursue the Company s long-term value drivers. The Compensation Committee believes that the Company s activities in 2012 created significant value for Company shareholders during 2012 and in the long-term.

2012 Compensation Committee Actions

The Compensation Committee s actions during 2012, including granting options, approving employment agreements for two new executive officers and certain amendments to options agreements for those new executive officers, and approving annual salaries and bonuses, were consistent with the past practices of the Company and the Compensation Committee. Of note, in 2012 the Compensation Committee abolished

16

perquisites those being company-paid automobiles, country club memberships and, for Mr. Howley, tax planning services for executive officers and operating unit presidents commencing in fiscal 2013 and the employment agreements of executive officers were amended accordingly.

280G Gross Ups

Following the end of fiscal 2012, the Compensation Committee approved the elimination of excise tax (i.e., 280G) gross-ups in all future option awards. Options granted in November 2012, including those to executive officers, did not include any such gross-ups. 280G gross-ups contained in existing awards will remain outstanding, but will become less significant as the outstanding options vest, with all such gross-ups being eliminated by fiscal 2015. The employment agreements with the executive officers do not include any gross-up provisions.

Objectives of the Executive Compensation Program

The primary objective of the Compensation Committee in determining executive compensation is to provide a competitive total compensation package that enables the Company to attract and retain qualified executives and create a strong incentive to increase the Company s equity value. In light of the Compensation Committee s objective, the Compensation Committee determines executive compensation consistent with a philosophy of compensating executive officers based on their responsibilities and the Company s performance. The primary components of the Company s executive compensation program are base salaries, discretionary bonuses, performance based options, and retirement and welfare benefits, although the executive compensation program is heavily weighted towards compensation through performance-based options.

Each element of the executive compensation program is discussed below.

Elements of the Executive Compensation Program

Base Salary

The Company s philosophy is to pay base salaries at a level less than similarly situated companies, preferring instead to compensate officers through increased equity value. Specifically, the Company aims to pay cash compensation to executive officers and operating unit presidents at approximately 85% of the 50^{th} percentile of the Company s peers. The base salaries and certain other annual compensation for the Company s executive officers in fiscal 2012 were determined with reference to the experience of the officers, the Company s past practice and the officers individual performance.

The Compensation Committee periodically engages an independent consultant to survey the Company s peers salaries and bonuses but no salary survey was conducted with respect to 2012 salaries. However, in November 2010 the Compensation Committee engaged Pay Governance to do a salary survey. Pay Governance did not provide any other services to the Company. In its review Pay Governance reviewed surveys of human resource consulting firms and proxies of the following peer group: Ametek Inc., Baldor Electric Co., BE Aerospace Inc., Crane, Donaldson Company, Inc., Dresser-Rand Group Inc., FLIR Systems, Inc., Gardner Denver Inc., Hologic Inc., IDEX Corporation, Illumina Inc., Itron, Inc., KLA-Tencor Corporation, Lam Research Corporation, Moog Inc., Pall Corp., PerkinElmer Inc., Roper Industries Inc., Snap-on Inc., Teleflex Incorporated, Trimble Navigation Limited, Trinity Industries Inc., Triumph Group, Inc. and Waters Corp. In addition, in connection with the Compensation Committee s consideration of a different pay structure for Mr. Howley in 2011 and the Company s proposal to increase the number of shares under the Company s Stock Incentive Plan which was approved at the 2011 annual meeting, the Compensation Committee engaged Veritas Executive Compensation Consultants, LLC to review the chief executive officer s compensation. Veritas did not provide any other services to the Company. In December 2010, Veritas presented information about CEO compensation and alternative payment arrangements for CEOs. As part of that information, Veritas included an analysis of CEO compensation for a peer group of high-tech manufacturing companies many of whom had higher enterprise value than the Pay Governance peer group deemed appropriate by Veritas and more appropriate to the size of the Company. Specifically, this peer group consisted of companies against which the Company competes for business or employees and/or that are similar in size or scope to the Company. The peer group included: Ametek, Inc., BorgWarner Inc., Flowserve Corporation, Garmin Ltd., Genuine Parts Company, Goodrich Corp., Harris Corporation, Illumina, Inc., ITT Corporation, L-3 Communications Holdings, Inc., Rockwell Automation, Inc., Rockwell Collins, Inc., Roper Industries, Inc., Textron Inc., TRW Automotive Holdings Corp, and Waters Corporation. In determining compensation for the named executive officers for 2011, the Compensation Committee averaged the Pay Governance and Veritas data.

Consistent with the factors annually considered by the Compensation Committee, the Compensation Committee determined that, effective January 1, 2012, the base salaries of the named executive officers, namely, Messrs. W. Nicholas Howley, Gregory Rufus and James Skulina should be $875,000, $415,000 and $310,000 per year, respectively. Mr. Peter Palmer was named Executive Vice President in February 2012 and his base salary was then set at $310,000. Mr. John Leary was named Executive Vice President in June 2012 and his base salary was then set at $335,000. When perquisites were eliminated on October 1, 2012, the base salaries of such named executive officers were increased to $905,500, $433,500, $323,500, $325,000 and $348,500, respectively.

Annual Incentives

The Compensation Committee has adopted a performance-based bonus program for corporate officers. For corporate officers, target bonus amounts based on a percentage of the officer s salary are set at the beginning of the year. Actual awards are determined solely at the discretion of the Compensation Committee. Factors considered by the Compensation Committee in establishing awards will generally include, but not be limited to, financial performance, corporate performance, and individual performance. Financial performance measures will be based primarily on Company EBITDA as defined in the Company s credit agreement and return on investment. Corporate performance is meant to subjectively evaluate the overall performance of the Company during the year taking into account a broad range of factors that impacted the Company s performance. It is not intended to be a numerical weighting of various factors. Items to be considered in evaluating the Company s corporate performance will generally include, but not be limited to, (1) degree of difficulty in the business plan, the market environment and general operating conditions, (2) performance against the Company s value creation goals, (3) specific organization or department-wide achievements, efforts or problems and (4) various other factors that may be unique to the business or the overall environment during the year. Individual performance is meant to subjectively evaluate the overall performance of the individual corporate officer taking into account a broad range of factors. Like the corporate performance, it is not intended to be a numerical weighting of factors. Items to be considered in evaluating individual performance will generally include, but not be limited to, (1) the degree of difficulty and effectiveness in performing the officer s job given the overall market environment, operating conditions and flexibility and responsiveness required, (2) performance by the officer in implementing the Company s value drivers, (3) exhibiting a clear pattern of open, honest and regular communication within the company and, if applicable, investors and the board of directors, (4) engaging in effective succession planning and organizational development, (5) performance in the specific requirements of the officer s job, including awareness and compliance with both specific Company policies and laws and regulations specific to the business environment, or, in the case of Mr. Howley, support, maintenance and regular evaluation of the effectiveness of the Company s long-term value focused strategy including the business and product definitions, the organization structure, the value drivers focus and acquisition activity and (6) various other factors that may be unique to the specific job or the overall environment during the year.

Mr. Rufus s target bonus was set at 65% of his annual salary; based on Mr. Rufus s current salary at the time of determination, his target bonus, in dollars, was $281,775. Based on the Compensation Committee s evaluation of the individual performance of Mr. Rufus, the Compensation Committee determined that Mr. Rufus should be awarded a bonus of $330,000 for fiscal 2012, or 117% of his target bonus. The increase in Mr. Rufus bonus over his target bonus was, among other factors, attributable to the observations that the areas of Mr. Rufus direct responsibility operated well in 2012, in spite of another year with a high rate of change; the financial statements, internal reporting and public reporting were timely and accurate, in spite of the changes; the Company engaged in significant capital raising activities and one large and two small acquisitions and one divestiture; Mr. Rufus did well in hiring and development of promotable employees.

Messrs. Skulina s, Palmer s and Leary s target bonuses were also set at 65% of their annual salaries. However, Mr. Skulina, Mr. Palmer and Mr. Leary each served a portion of the fiscal year as an operating unit president with a target bonus of 35% of his then salary. Thus, Mr. Skulina s prorated target bonus was $188,062, Mr. Palmer s prorated target bonus was $161,890 and Mr. Leary s prorated target bonus was $137,892. Based on the Compensation Committee s evaluation of the individual performance of each of these officers, the Compensation Committee determined that Mr. Skulina should be awarded a bonus of $215,000 for fiscal 2012, or 114% of his target bonus, Mr. Palmer should be awarded a bonus of $200,000 for fiscal 2012, or 124% of his target bonus and Mr. Leary should be awarded a bonus of $225,000 for fiscal 2012, or 163% of his target bonus. The increase in each of Messrs. Skulina s, Palmer s and Leary s bonuses generally aligns the bonus with what they would have received had they served as executive vice president for the entire fiscal year. The increase in Mr. Skulina s bonus over his target bonus was, among other factors, attributable to the observations that the operating units under Mr. Skulina s control did well financially and operationally in 2012; Mr. Skulina managed his expanded responsibilities well; and Mr. Skulina assisted with acquisition due diligence and the completion of the transition of the Talley actuator product line to the Aero Fluid Products facility. The increase in Mr. Palmer s bonus over his target bonus was, among other factors, attributable to the observations that the operating units under Mr. Palmer s control did well financially and operationally in 2012; Mr. Palmer s attention to detail guided the new operating unit president who succeeded Mr. Palmer and assisted in the Boeing 787 production ramp up; Mr. Palmer worked significantly with an underperforming business unit to improve results; and Mr. Palmer is analytical and is developing his leadership style well in his new role. The increase in Mr. Leary s bonus over his target bonus was, among other factors, attributable to the observations that Mr. Leary s operating units performed very well with productivity results being better than plan; Mr. Leary s integration of the TransDigm culture at the operating unit where he was president; and Mr. Leary s strength at talent development.

For 2012, Mr. Howley s target bonus was set at 124% of his annual salary; based on Mr. Howley s current salary at the time of determination, his target bonus, in dollars, was $1,122,820. Based in part on the fact that the Company, under Mr. Howley s leadership, was outstanding in its success at creating shareholder value and exceeded all financial targets and successfully integrated a very large acquisition during the fiscal year, the Compensation Committee determined that Mr. Howley should be awarded a bonus of $1.2 million for fiscal 2012, or 107% of his target bonus.

Equity Based Incentives

Options

It is the Compensation Committee s goal that the largest portion of management s potential earnings come from growth in the Company s equity value. The Company believes that stock option grants are, and will continue to be, a valuable motivating tool and provide a long-term incentive to management. Stock option grants reinforce the long-term goal of increasing stockholder value by aligning the interests of the Company s stockholders with the interests of management.

19

The Compensation Committee does not make annual grants of options to employees, including executive officers. Rather, it grants options that vest over five years in connection with hirings, promotions and the assumption of increased responsibilities. Thereafter, unless there has been an intervening five-year award because of a promotion or assumption of increased responsibility, two-year extension awards are granted for retention purposes generally in the third year of vesting so that the executive always has four or five years of option vesting in front of him or her in order to promote maximizing long-term value. To illustrate, options are typically awarded as follows:

Note that for our named executive officers, the pattern of option awards means that the annual compensation in the Summary Compensation Table will increase and decrease bi-annually in a saw-tooth manner as demonstrated below:

The stock options granted under the Company s Stock Incentive Plan vest solely based on the achievement of specific performance-based targets. With respect to grants made between fiscal 2009 and fiscal 2011 in connection with hiring or promotion, up to 75% of the options vest in annual increments over five years based on the Company meeting certain annual operational targets (the annual operational targets) and up to 25% of the

20

options vest at the end of the five-year period based on the Company meeting certain cumulative operational targets defined in the stock option agreement. With respect to grants made in fiscal 2012 in connection with hiring or promotion, the options vest in annual increments over five years based on the Company meeting the annual operational targets defined in the stock option agreement. The two-year extension options vest up to 50% in the fourth fiscal year after the grant and up to 50% in the fifth year after the grant.

At the time of grant, annual per share operational vesting targets representing an intrinsic share price, as described below, are set by taking the prior year s annual operational performance and, to establish the minimum and maximum targets, growing such amount by 10% and 17.5%, respectively. Annual operational targets are calculated based on a ratio of (a) the excess of (i) the product of EBITDA As Defined (as defined in our credit agreements) and an acquisition-weighted market multiple over (ii) net debt to (b) the Company s number of diluted shares as of such date based on the treasury method of accounting (the operational performance per diluted share). The targets are adjusted for dividends and other equity transactions. To simplify, option vesting is basically calculated per the below:

Proforma EBITDA As Defined

X Acquisition-Weighted Multiple

Total Enterprise Value

Less: Net Debt

Intrinsic Equity Value

÷ Fully Diluted Shares

Intrinsic Share Price (or Annual Per Share Operating Performance)

The calculation of annual operating performance, as reflected simply above, takes into account the income statement performance, working capital, treasury management, acquisition performance and the impact of option dilution on common shares outstanding.

The operational targets will allow for minimum vesting if growth in the Company s operational performance per diluted share equals or exceeds 10% per year and will provide for maximum vesting if growth equals or exceeds 17.5% per year. In other words, the intrinsic share price must grow at a compound annual growth rate of 10% for partial vesting to even occur at all; for 100% vesting, the intrinsic share price must grow at a compound annual growth rate of 17.5%.

This, of course, is solely for the options to vest. In order to realize any value, the optionholder must then exercise and sell in the open market. The Compensation Committee believes these required returns are robust, but achievable and in line with the Company s internal expectations. If these returns are achieved, both investors and management benefit significantly.

If the operational performance per diluted share exceeds the maximum vesting target in an applicable year, the operational targets allow for participants to treat such excess amounts as having been achieved in the following two fiscal years and/or the prior two fiscal years (without duplication) if less than the full amount of eligible operational performance options would otherwise have vested for such fiscal years. This allows for management to focus on long-term value without having to make short-term decisions to maximize vesting in a particular year and, in some respects, acts similarly to long-term incentive plans of other companies that take into account performance over a three-year period.

With respect to both annual and cumulative operational targets, in certain limited situations, including any extraordinary or non-recurring change affecting the Company or the share price of the stock or changes in applicable laws, regulations or accounting principles, the Committee may make such equitable adjustments as it determines are necessary to such targets to prevent dilution or enlargement of the stock option benefits. After the conclusion of fiscal 2012, the Company paid a dividend of $12.85 per share to its shareholders. Accordingly, the Compensation Committee adjusted the targets of outstanding options to take into account the earlier return of capital.

In addition to vesting based on operational targets, in the event of a change in control, performance vesting options become fully vested. Further, the options have the following market-based vesting features:

- options that were granted in fiscal 2009 through fiscal 2011 will accelerate and become fully vested if the closing price of the Company s common stock on the New York Stock Exchange exceeds $147.15 per share on any 60 trading days during any consecutive 12-month period commencing after March 1, 2013 (this market price was adjusted by the Compensation Committee in November 2012 from $160 per share to take into account the $12.85 dividend paid in October 2012)

- options that were granted in fiscal 2012 will accelerate and become fully vested if the closing price of the Company s common stock on the New York Stock Exchange exceeds $157.15 per share on any 60 trading days during any consecutive 12-month period commencing two years after the date of grant (this market price was adjusted by the Compensation Committee in November 2012 from $170 per share to take into account the dividend)

- for options granted commencing in fiscal 2013, including those already granted in November 2012 to executive officers, if, beginning in the fiscal year following the date of grant, the price of the Company s common stock on the New York Stock Exchange exceeds two times the exercise price of the options, then, to the extent that the options did not otherwise vest in accordance with their terms, the options may vest 50% in the fourth fiscal year from the date of grant and 50% in the fifth fiscal year from the date of grant (or if such market price is achieved in the fifth year, 100% may vest in the fifth fiscal year); but vesting of the options will not accelerate as compared to their original vesting schedule.

Certain of the option agreements for executive officers provide that if the executive officer s employment terminates by reason of death, disability, termination without cause, termination for good reason or retirement, vesting of the options will continue after termination of employment generally as follows:

- if the termination is in the second fiscal year after the grant date, 20% of the remaining options will continue to vest in accordance with their terms;

- if the termination is in the third fiscal year after the grant date, 40% of the remaining options will continue to vest in accordance with their terms;

- if the termination is in the fourth fiscal year after the grant date, 60% of the remaining options will continue to vest in accordance with their terms;

- if the termination is in the fifth fiscal year after the grant date, 80% of the remaining options will continue to vest in accordance with their terms; and

- if the termination is after the fifth fiscal year after the grant date, 100% of the remaining options will continue to vest in accordance with their terms.

Retirement was added to the list of events triggering such continued vesting by amendment of the Compensation Committee in November 2012.

The option agreements for certain of the optionees, currently totaling 23, including all of the Company s executive officers and operating unit presidents, include a provision to gross up any payments that would be deemed to be excess parachute payments under Section 280G of the Internal Revenue Code in connection with the acceleration of options upon a change in control. However, following the end of fiscal 2012, the Compensation Committee approved the elimination of excise tax (i.e., 280G) gross-ups in all future option awards. Options granted in November 2012, including those to executive officers, did not include any such gross-ups. 280G gross-ups contained in existing awards will remain outstanding, but will become less significant as the outstanding options vest, with all such gross-ups being eliminated by fiscal 2015.

Options are granted generally at regularly scheduled board meetings during November through April. Because all options vest based on performance criteria and vesting occurs at the end of each fiscal year, grants for any new hire or promoted employee who would otherwise receive a grant after April in any year are deferred until November.

Options to purchase 1,971,715 shares of common stock were granted to executive officers and managers under the program in fiscal 2012. The number of shares subject to the Stock Incentive Plan is 8,119,668 shares, of which 4,000,000 shares are limited to issuance upon exercise of awards of performance-based stock options. 2,187,791 shares remained available for granting under the Stock Incentive Plan as of September 30, 2012. In addition, 77,829 shares remained available for granting under the 2003 Stock Option Plan as of September 30, 2012.

For more information regarding the aggregate options held by and granted to the named executive officers, please refer to the tables on pages 27 through 29.

Stock Ownership Guidelines

In addition to the reliance on performance vesting for options granted under the Company s Stock Incentive Plan, the Company also retains the concept from the private equity market that management should be required to maintain a significant investment in the Company. Therefore, during their employment, all of the Company s existing optionholders are required to maintain ownership of a minimum value of stock or vested options. In general, the holding requirements, which are specific for each individual, require the employee optionholders to retain shares or in-the-money vested options with significant value and directors to hold shares or in-the-money vested options with a value of $150,000. Specifically, Mr. Howley is required to maintain shares or in-the-money vested options with a value of $9,500,000 and Messrs. Rufus, Skulina, Palmer and Leary are required to maintain shares or in-the-money vested options with a value of $2,000,000.

New optionholders will have five years to meet their holding requirements. If a holding requirement has been met but is no longer met by an optionholder because of a decline in value of the Company s common stock, the optionholder will have three years to come back into compliance with the holding requirement.

Dividend Equivalent Rights

The Company provides optionholders the right to receive dividend equivalent payments if the Company declares a dividend on its common stock. The applicable dividend equivalent plans provide that if the Company declares a dividend on its common stock in the ordinary course of business or in connection with a recapitalization or similar corporate event, optionholders are eligible to receive either a cash dividend equivalent payment or a reduction of the exercise price of unvested stock options.

Optionholders who hold vested stock options at the time any such dividend is declared are eligible to receive a cash dividend equivalent payment equal to the amount that such optionholder would otherwise have been entitled to receive had his or her vested stock option been fully exercised immediately prior to such declaration. Optionholders who hold unvested stock options at the time the Company declares a dividend in the ordinary course of business or in connection with a recapitalization or similar corporate event (other than certain transactions described in U.S. Treasury regulations), are eligible to receive a cash dividend equivalent payment equal to the amount such participant would otherwise have been entitled to receive had his or her unvested stock option been fully vested and exercised immediately prior to such declaration; provided, such payment is not to be made until the date such stock option vests pursuant to its terms. If the Company declares a dividend in connection with a certain transactions described in U.S. Treasury regulations, such as corporate mergers or reorganizations, optionholders who hold outstanding unvested stock options will have the exercise price of any such option reduced by the amount of such dividend per share pursuant to the replacement or assumption of such options by new options pursuant to the transaction. If the exercise price of an option is so reduced, the optionholder will not receive any cash dividend equivalent payment with respect to any dividend paid in connection with such transaction. However, if the Compensation Committee determines that reducing the exercise price of unvested options is prohibited by law, regulation, NYSE rule or the applicable stock option plan or creates a material adverse consequence for the Company, or if for any other reason the exercise price is not so reduced in connection with the declaration of a dividend in a such a transaction, then the dividend equivalent payment will be paid in cash as such stock option vests pursuant to its terms.

In fiscal 2012, Messrs. Howley, Rufus, Skulina, Palmer and Leary received $997,560, $187,043, $43,643, $43,643 and $74,817, respectively, in dividend equivalent payments relating to the $7.65 special dividend declared in October 2009.

Perquisites

In 2012, the named executive officers received certain perquisites. These items are more fully discussed below in the Summary Compensation Table. In 2012 the Compensation Committee made the determination to eliminate perquisites (i.e., country club dues and automobiles and, for Mr. Howley, financial planning services) for executive officers and business unit presidents, effective for fiscal 2013. Mr. Howley s use of the corporate aircraft will terminate effective December 31, 2013 pursuant to his employment agreement.

Employment Agreements

The Company entered into an employment agreement with Mr. Howley in connection with the leveraged buyout of the Company in 2003. That employment agreement was negotiated on behalf of the Company by its private equity investor. That agreement was set to expire in July 2008, and the Company and Mr. Howley have since entered into amended and restated employment agreements, most recently in February 2011, as amended effective October 1, 2012.

Prior to the Company s initial public offering, in November 2005, the Company entered into a similar employment agreement with Mr. Rufus to ensure his continuity with the Company. That agreement was amended effective February 2011 and again effective October 1, 2012. In addition, the Company entered into similar employment agreements with the remaining executive officers, including Messrs. Skulina, Palmer and Leary, in April 2012, April 2012 and July 2012, respectively, to ensure their continuity with the Company as well, each of which was amended effective October 1, 2012.

24

For a description of the employment agreements, see Employment Agreements below.

Severance

All of the Company s executive officers have severance provisions in their employment agreements, as described below.

Consideration of Say-On-Pay Advisory Vote

After the Company s 2012 annual meeting of stockholders, the Compensation Committee reviewed the results of the stockholder advisory vote on the compensation for the Company s named executive officers in fiscal year 2011. Approximately 56% of the votes cast on the proposal were voted in support of the advisory vote on the compensation of the Company s named executive officers.

In light of the results of the Company s Say-On-Pay vote in 2012, the Compensation Committee engaged Meridian Compensation Partners to consult with it regarding issues related to the Say-On-Pay vote and asked management to reach out to investors to discuss the Company s pay practices. Management discussed the Company s compensation practices with at least 76 representatives of 41 of the Company s shareholders, representing over half of the Company s voting power. Of the 76 persons with whom the Company spoke, 65 were portfolio managers or analysts and 11 were governance specialists.

The 65 portfolio managers and analysts with whom the Company spoke were representatives of 38 of the Company s shareholders, representing approximately 49% of the Company s voting power. Portfolio managers and analysts, who make investment decisions regarding the Company s stock, were nearly unanimously in favor of the Company s compensation practices and thought favorably of the performance aspect of the Company s option plan. The Company specifically asked about 280G gross-ups, and portfolio managers and analysts were generally indifferent to such practice.

The 11 governance specialists with whom the Company spoke were representatives of seven shareholders representing 16% of the Company s voting power. The governance specialists were chosen based on a review by the Company of its top 30 shareholders, representing approximately 67% of the Company s voting power, to identify which shareholders had internal governance specialists. Of those, the Company chose seven shareholders representing 16% of the Company s voting power to understand their voting policies. As with portfolio managers and analysts, the governance specialists with whom the Company spoke were also generally in favor of the Company s compensation as a whole; however, some of them had specific practices they did not like. Particularly, governance specialists at three of the seven shareholders with whom the Company spoke were opposed to 280G gross ups. The Company believes many of the governance specialists relied heavily on the recommendations of proxy advisory firms in their assessments of Say-On-Pay. The governance specialists noted the Company s unique compensation structure based on its history as a private equity portfolio company and suggested that additional compensation disclosure would be beneficial to better understand the Company s pay practices. In response, disclosure regarding the Company s pay practices has been expanded.

Although the opposition to the Company s 280G gross-ups was not overwhelming, in light of the results of the Say-On-Pay vote in 2012, following the end of fiscal 2012, the Compensation Committee approved the elimination of excise tax (i.e., 280G) gross-ups in all future option awards. Options granted in November 2012, including those to executive officers, did not include any such gross-ups. 280G gross-ups contained in existing awards will remain outstanding, but will obviously become less significant as the outstanding options vest, with all such gross-ups being eliminated by fiscal 2015.

Compensation Committee Report

The Compensation Committee has reviewed and discussed with the Company s management the Compensation Discussion and Analysis set forth above. Based on the review and discussions noted above, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement for filing with the Securities and Exchange Commission.

Compensation Committee

Michael Graff, Chairman

Mervin Dunn

Sean Hennessy

Robert Small

Compensation Committee Interlocks And Insider Participation

Messrs. Graff, Dunn, Hennessy and Small comprise the Compensation Committee. There are no Compensation Committee interlocks.

Compensation Risk

The Compensation Committee has reviewed and evaluated the incentive compensation policies and practices that cover all employees. On the basis of that review, the Company does not believe that its compensation policies and practices pose risks that are reasonably likely to have a material adverse effect on the Company.

Summary Compensation Table

The following information is set forth with respect to the Company s Chief Executive Officer, Chief Financial Officer and the Company s other three most highly compensated executive officers, each of whom was serving as an executive officer at September 30, 2012 (the named executive officers).

Name and Principal Position	**Fiscal Year**	**Salary ($)**	**Bonus ($)**	**Option Awards ($)(1)**	**All Other Compensation ($)(2)**	**Total ($)**
W. Nicholas Howley,	2012	841,250	1,200,000		1,265,041	3,306,291
Chairman and Chief	2011	690,000	1,000,000	17,855,610	1,119,536	20,665,146
Executive Officer	2010	611,250	575,000		9,769,530	10,955,780
Gregory Rufus,	2012	410,000	330,000		235,969	975,969
Executive Vice	2011	362,083	280,000	2,800,880	201,180	3,644,143
President, Chief Financial	2010	295,750	185,000		884,252	1,365,002
Officer and Secretary						
James Skulina,	2012	281,000	215,000	1,480,950	66,013	2,042,963
Executive Vice President	2011	193,000	110,000		60,834	363,834
	2010	188,750	95,000	177,020	55,167	515,937
Peter Palmer,	2012	277,188	230,000	1,541,115	71,198	2,119,501
Executive Vice President	2011	218,750	94,000		65,508	378,258
	2010	205,875	90,000	245,020	57,369	598,273
John Leary,	2012	288,333	225,000	1,765,855	103,265	2,382,453
Executive Vice President	2011	255,750	130,000	408,328	104,979	899,057
	2010	226,000	100,000		92,103	418,103

(1) The amount reported represents the grant date fair value of stock options awarded during the applicable fiscal year under the Company s 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 2012 for information on the grant date fair value of awards and a description of the assumptions used in that computation.

(2) Amounts shown for Mr. Howley include $997,560 in dividend equivalent payments on vested options relating to the $7.65 dividend declared in October 2009. The amounts also include the incremental cost to the Company relating to personal use by Mr. Howley of an aircraft under a corporate contract for aircraft services in the amount of $185,954. Incremental cost is the amount billed to the Company by its service provider for the specific flight. In addition, amounts include $13,542 in 401(k) contributions by the Company, $33,500 in fees related to planning and preparing Mr. Howley s tax returns and managing his financial affairs, $18,115 in country club dues and $16,370 for an automobile for Mr. Howley s use.

Amounts for Mr. Rufus include: $187,043 in dividend equivalent payments on vested options relating to the $7.65 dividend declared in October 2009, $14,133 in 401(k) contributions by the Company, $20,401 in country club dues and $14,392 for an automobile for Mr. Rufus s use.

Amounts for Mr. Skulina include: $43,643 in dividend equivalent payments on vested options relating to the $7.65 dividend declared in October 2009, $13,650 in 401(k) contributions by the Company, $2,026 in country club dues and $6,694 for an automobile for Mr. Skulina s use.

Amounts for Mr. Palmer include: $43,643 in dividend equivalent payments on vested options relating to the $7.65 dividend declared in October 2009, $14,176 in 401(k) contributions by the Company, $4,980 in country club dues and $8,399 for an automobile for Mr. Palmer s use.

Amounts for Mr. Leary include: $74,817 in dividend equivalent payments on vested options relating to the $7.65 dividend declared in October 2009, $14,870 in 401(k) contributions by the Company, $4,030 in country club dues and $9,548 for an automobile for Mr. Leary s use.

Grants of Plan Based Awards in Last Fiscal Year

The following table sets forth information concerning options granted in fiscal 2012 to the named executive officers. None of the named executive officers received non-equity incentive plan awards or restricted stock.

Name	Grant Date	Estimated Future Payouts Under Equity Incentive Plan Awards(4) Threshold (#)	Target (#)(3)	Maximum (#)	Exercise Price of Options	Grant Date Fair Value of Option Awards
James Skulina	11/14/11(1)	3,250	13,000	13,000	$ 97.42	$ 549,510
	1/19/12(2)	9,600	24,000	24,000	$ 97.41	$ 931,440
Peter Palmer	11/14/11(1)	2,625	10,500	10,500	$ 97.42	$ 443,835
	3/19/12(2)	9,600	24,000	24,000	$ 113.15	$ 1,097,280
John Leary	11/14/11(2)	18,200	45,500	45,500	$ 97.42	$ 1,765,855

(1) Represents options that vest as follows: 12.5% if the annual operational performance (AOP) as hereinafter defined is at least $78.65 per diluted share and up to 50% if the AOP is at least $103.75 per diluted share on September 30, 2015 and 12.5% if the AOP is at least $86.52 per diluted share and up to 50% if the AOP is at least $121.91 per diluted share on September 30, 2016. Such amounts have adjusted to the information account that $12.85 dividend paid on November 2012. If the AOP is between the amount required to vest 12.5% and the amount required to vest 50%, the percentage of options that will vest will be in between 12.5% and 50% and will be determined by linear interpolation. As used herein, AOP means the ratio of (1) the excess of (a) the product of (i) EBITDA and (ii) an acquisition-weighted multiple over (b) (i) the excess of consolidated total indebtedness of the Company over (ii) the amount of cash and cash equivalents of the Company to (2) the Company s diluted shares. Any options that do not vest in 2015 because of a shortfall in AOP may vest in 2016 if there is an excess of AOP in such year. In addition, any excess AOP in 2013 or 2014 under the executives prior option awards may be carried forward in the following two years to make up deficiencies in AOP in such year. In no event may any amounts used in calculating current year, prior year or future year AOP be used more than once.

(2) Represents options that vest as follows: up to 20% if the AOP, as defined in note 1, per diluted share is at least $76.84 per diluted share on September 30, 2012 (the AOP for fiscal 2012 was $98.40 so 20% vested as of September 30, 2012), 5% if the AOP is at least $65.00 per diluted share and up to 20% if the AOP is at least $75.15 per diluted share on September 30, 2013, 5% if the AOP is at least $71.50 per diluted share and up to 20% if the AOP is at least $88.30 on September 30, 2014, 5% if the AOP is at least $78.65 per diluted share and up to 20% if the AOP is at least $103.75 on September 30, 2015, and 5% if the AOP is at least $86.52 and up to 20% if the AOP is at least $121.91 on September 30, 2016. Such amounts have been adjusted to take into account the $12.85 dividend paid in November 2012. If the AOP is between the amount required to vest 5% and the amount required to vest 20%, the percentage of options that will vest will be in between 5% and 20% and will be determined by linear interpolation. Any options that do not vest in any year may vest in either of the two following years if there is an excess of AOP in such year. In addition, any excess of AOP in any given year may be used in the following two years to make up for any deficiency in AOP. In no event may any amounts used in calculating current year, prior year or future year be used more than once.

(3) Target amounts are not established under the grant, but are disclosed at the maximum amount. Actual amounts could be lower if annual or cumulative performance requirements are not met.

Outstanding Equity Awards at Fiscal Year End

The following table sets forth information concerning unexercised options as of September 30, 2012 with respect to the named executive officers. None of the named executive officers has been the recipient of any stock or other incentive plan award.

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date
W. Nicholas Howley(6)	57,333		6.68	08/05/2013
	5,834		13.37	08/05/2013
	480,000	320,000(1)	27.08	11/17/2018
		510,000(2)	82.67	03/04/2021
Gregory Rufus	29,920		13.37	10/01/2015
	20,000		25.60	12/01/2016
	90,000	60,000(1)	27.08	11/17/2018
		80,000(2)	82.67	03/04/2021
James Skulina	44,800		6.68	08/05/2013
	299		13.37	08/05/2013
	14,960		13.37	10/01/2015
	21,000	14,000(1)	27.08	11/17/2018
	4,500	5,500(3)	41.79	11/16/2019
		13,000(4)	97.42	11/14/2021
	4,800	19,200(5)	97.41	01/19/2022
Peter Palmer	21,458		13.37	10/01/2015
	21,000	14,000(1)	27.08	11/17/2008
	4,500	5,500(3)	56.86	04/22/2020
		10,500(4)	97.42	11/14/2021
	4,800	19,200(5)	113.15	03/19/2022
John Leary	47,560		6.68	08/05/2013
	748		13.37	08/05/2013
	36,000	24,000(1)	27.08	11/17/2018
		12,000(2)	80.80	04/27/2021
	9,100	36,400(5)	97.42	11/14/2021

(1) Represents options that vest as follows: 3.75% of the total award if the AOP is at least $36.93 per diluted share and up to 15% of the total award if the AOP is at least $56.71 per diluted share on September 30, 2013. If the AOP is between the amount required to vest 3.75% and the amount required to vest 15%, the percentage of options that will vest will be in between 3.75% and 15% and will be determined by linear interpolation. As used herein, AOP means the ratio of (1) the excess of (a) the product of (i) EBITDA and (ii) an acquisition-weighted multiple over (b) (i) the excess of consolidated total indebtedness of the Company over (ii) the amount of cash and cash equivalents of the Company to (2) the Company s diluted shares. In addition, at the end of fiscal 2013, an additional 25% will vest if the Company s cumulative operational performance is at least $258.78. If the cumulative operational amount is at least $205.80, an additional 6.25% will vest. If the cumulative operational amount is at least $205.80 but less than $258.78, the percentage of options that will vest will be determined by linear interpolation. Amounts have been adjusted to take into account the $12.85 dividend paid in November 2012. Any options that do not vest in any year because of a shortfall in AOP may vest in one of the two following years if there is an excess of AOP in any such year. In addition, any excess AOP in any year may be carried forward to make up any deficiencies in any of the following two years. In no event may any amounts be used in calculating current year, prior year or future year AOP more than once.

(2) Represents options that vest as follows: 12.5% of the total award if the AOP, as defined in note 1, is at least $40.62 per diluted share and up to 50% of the total award if the AOP is at least $66.63 per diluted share on September 30, 2014 and 12.5% of the total award if the AOP is at least $44.68 per diluted share and up to 50% of the total award if the AOP is at least $78.30 per diluted share on September 30, 2015. Such amounts have been adjusted to take into account the $12.85 dividend paid in November 2012. If the AOP is between the amount required to vest 12.5% and the amount required to vest 50%, the percentage of options that will vest will be in between 12.5% and 50% and will be determined by linear interpolation. Any options that do not vest in 2014 because of a shortfall in AOP may vest in 2015 if there is an excess of AOP in such year. In addition, any excess AOP in 2012 or 2013 under the executives prior option awards may be carried forward in the following two years to make up deficiencies in AOP in such year. In no event may any amounts used in calculating current year, prior year or future year AOP be used more than once.

(3) Represents options that vest as follows: 3.75% of the total award if the AOP (as defined in note 1) is at least $36.93 per diluted share and up to 15% of the total award if the AOP is at least $56.71 per diluted share on September 30, 2013 and 3.75% of the total award if the AOP is at least $40.62 per diluted share and up to 15% of the total award if the AOP is at least $66.63 per diluted share on September 30, 2014. Amounts have been adjusted to take into account the $12.85 dividend paid in November 2012. If the AOP is between the amount required to vest 3.75% and the amount required to vest 15% the percentage of options that will vest will be in between 3.75% and 15% and will be determined by linear interpolation. In addition, at the end of fiscal 2014, an additional 25% will vest if the Company s cumulative operational amount is at least $280.86. If the cumulative operational amount is at least $204.66, an additional 6.25% will vest. If the cumulative operational amount is at least $204.66 but less than $280.86, the percentage of options that will vest will be determined by linear interpolation.

(4) Represents options that vest as follows: 12.5% if the AOP (as defined in note 1) is at least $78.65 per diluted share and up to 50% if the AOP is at least $103.75 per diluted share on September 30, 2015 and 12.5% if the AOP is at least $86.52 per diluted share and up to 50% if the AOP is at least $121.91 per diluted share on September 30, 2016. Such amounts have adjusted to the information account the $12.85 dividend paid on November 2012. If the AOP is between the amount required to vest 12.5% and the amount required to vest 50%, the percentage of options that will vest will be in between 12.5% and 50% and will be determined by linear interpolation. As used herein, AOP means the ratio of (1) the excess of (a) the product of (i) EBITDA and (ii) an acquisition-weighted multiple over (b) (i) the excess of consolidated total indebtedness of the Company over (ii) the amount of cash and cash equivalents of the Company to (2) the Company s diluted shares. Any options that do not vest in 2015 because of a shortfall in AOP may vest in 2016 if there is an excess of AOP in such year. In addition, any excess AOP in 2013 or 2014 under the executives prior option awards may be carried forward in the following two years to make up deficiencies in AOP in such year. In no event may any amounts used in calculating current year, prior year or future year AOP be used more than once.

(5) Represents options that vest as follows: up to 20% if the AOP, as defined in note 1, per diluted share is at least $76.84 per diluted share on September 30, 2012 (the AOP for fiscal 2012 was $98.40 so 20% vested as of September 30, 2012), 5% if the AOP is at least $65.00 per diluted share and up to 20% if the AOP is at least $75.15 per diluted share on September 30, 2013, 5% if the AOP is at least $71.50 per diluted share and up to 20% if the AOP is at least $88.30 on September 30, 2014, 5% if the AOP is at least $78.65 per diluted share and up to 20% if the AOP is at least $103.75 on September 30, 2015, and 5% if the AOP is at least $86.52 and up to 20% if the AOP is at least $121.91 on September 30, 2016. Such amounts have been adjusted to take into account the $12.85 dividend paid in November 2012. If the AOP is between the amount required to vest 5% and the amount required to vest 20%, the percentage of options that will vest will be in between 5% and 20% and will be determined by linear interpolation. Any options that do not vest in any year may vest in either of the two following years if there is an excess of AOP in such year. In addition, any excess of AOP in any given year may be used in the following two years to make up for any deficiency in AOP. In no event may any amounts used in calculating current year, prior year or future year be used more than once.

(6) The options included for Mr. Howley reflect 1,433 options exercisable at a price of $6.68, 598 options exercisable at a price of $13.37, 30,000 options, of which 18,000 are currently exercisable, at a price of

30

$27.08, and 100,000 options of which none are currently exercisable, at a price of $82.57, in each case owned 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 the Exchange Act) of the options that are owned by Bratenahl Investments, Ltd. However, 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.

Option Exercises in 2012 and 2012 Realized Values

The following table sets forth information with respect to the number of shares acquired by the named executive officers upon exercise of options and the value realized through such exercise during fiscal 2012. None of the named executive officers had any stock awards outstanding during the fiscal year.

	Option Awards	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)**
W. Nicholas Howley[1]	453,288	47,905,619
Gregory Rufus	37,702	4,178,339
James Skulina	109,666	12,418,163
Peter Palmer	2,468	268,395
John Leary		

(1) Includes exercises of 33,006 shares at a realized value of $3,362,555 by Bratenahl Investment, 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 the Exchange Act) of the options that are owned by Bratenahl Investments, Ltd. However, Mr. Howley disclaims beneficially ownership of all options owned by Bratenahl Investments, Ltd. and reported herein as beneficially owned except to the extent of any pecuniary interest therein.

Potential Payments Upon Termination or Change in Control

All of the named executive officers have severance benefits governed by their employment agreements.

Pursuant to the terms of his employment agreement, if Mr. Howley is terminated for cause (as defined in his agreement and described under Employment Agreements below), he will receive only any unpaid but accrued base salary and benefits. As of September 30, 2012, Mr. Howley had no unpaid but accrued salary and benefits. If Mr. Howley is terminated for death or disability (as defined in his agreement and described under Employment Agreements below) or without cause by the Company or voluntarily resigns for good reason (as defined in the agreement and described under Employment Agreements below), his salary will continue for two years and he will receive two times the greater of (a) all bonuses paid or payable to Mr. Howley for the fiscal year immediately prior to the date of termination or (b) bonuses for the fiscal year in which the date of termination occurs, determined in accordance with the Company s bonus program, if any. In addition, the Company will offer to Mr. Howley to continue his participation under the medical benefit plans sponsored by the Company in accordance with applicable law at a monthly cost to Mr. Howley that is not greater than the monthly cost that Mr. Howley is charged for coverage as of the date of termination. Thus, if Mr. Howley had died, had been terminated because he had become disabled, had been terminated by the Company without cause or had resigned from his employment for good reason on September 30, 2012, he would have received approximately $3,771,117 in base salary, bonus and benefits.

In addition, as required by the employment agreement, Mr. Howley s stock option agreement of November 2008 vesting in 2009 through 2013 granting him 800,000 stock options provides that if Mr. Howley s employment terminates by reason of death, disability, termination without cause or termination for good reason, vesting of the options will continue after termination of employment as follows: If Mr. Howley s employment

31

terminates for the aforementioned reasons on or after April 25, 2011 but prior to April 25, 2012, 60% of the remaining unvested options may continue to vest in accordance with their terms; if Mr. Howley s employment terminates for the aforementioned reasons on or after April 25, 2012 but prior to April 25, 2013, 80% of the remaining unvested options may continue to vest in accordance with their terms; and if Mr. Howley s employment terminates for the aforementioned reasons on or after April 25, 2013, 100% of the remaining unvested options may continue to vest in accordance with their terms. In each case, the remaining unvested options to vest would be spread ratably over the remaining performance vesting schedule. Thus, if Mr. Howley had died, had been terminated because he had become disabled, had been terminated by the Company without cause or had resigned from his employment for good reason on September 30, 2012, 640,000 options would be permitted to continue to vest in accordance with their terms. On November 19, 2012, the Compensation Committee amended Mr. Howley s stock option agreement of November 2008 vesting in 2009 through 2013 to also permit continued vesting if his employment terminates by reason of retirement after at least 15 years of service after age 60 or after at least ten years of service after age 65.

As also required by Mr. Howley s employment agreement, Mr. Howley s stock option agreement of March 2011 granting him 510,000 options vesting in 2014 and 2015 has similar provisions with regard to post-employment vesting. Therefore, if Mr. Howley s employment terminates by reason of death, disability, termination without cause or termination for good reason, vesting of the options will continue after termination of employment as follows: If Mr. Howley s employment terminates for the aforementioned reasons on or after April 25, 2011 but prior to April 25, 2012, 20% of the remaining unvested options may continue to vest in accordance with their terms; if Mr. Howley s employment terminates for the aforementioned reasons on or after April 25, 2012 but prior to April 25, 2013, 40% of the remaining unvested options may continue to vest in accordance with their terms; if Mr. Howley s employment terminates for any of the aforementioned reasons on or after April 25, 2013 but prior to April 25, 2014, 60% of the remaining unvested options may continue to vest in accordance with their terms; if Mr. Howley s employment terminates for any of the aforementioned reasons on or after April 25, 2014 but prior to April 25, 2015, 80% of the remaining unvested options may continue to vest in accordance with their terms; and if Mr. Howley s employment terminates for any of the aforementioned reasons on or after April 25, 2015, 100% of the remaining unvested options may continue to vest in accordance with their terms. In each case, the remaining unvested options to vest would spread ratably over the remaining performance vesting schedule. Thus, if Mr. Howley had died, had been terminated because he had become disabled, had been terminated by the Company without cause or had resigned from his employment for good reason on September 30, 2012, 204,000 options would be permitted to continue to vest in accordance with their terms. On November 19, 2012, the Compensation Committee amended Mr. Howley s stock option agreement of March 2011 vesting in 2014 and 2015 to also permit continued vesting if his employment terminates by reason of retirement after at least 15 years of service after age 60 or after at least ten years of service after age 65.

Pursuant to the terms of their respective employment agreements, if Mr. Rufus, Mr. Skulina, Mr. Palmer or Mr. Leary is terminated for cause (as defined in the applicable agreement and described under Employment Agreements below), he will receive only any unpaid but accrued base salary and benefits. As of September 30, 2012, none of Mr. Rufus, Mr. Skulina, Mr. Palmer or Mr. Leary had unpaid but accrued base salary or benefits. If Mr. Mr. Rufus, Mr. Skulina, Mr. Palmer or Mr. Leary is terminated for death or disability (as defined in each agreement and described under Employment Agreements below) or without cause by the Company or voluntarily resigns for good reason (as defined in each agreement and described under Employment Agreements below), his salary will continue for 12 months and he will receive the greater of (a) all bonuses paid or payable to him for the fiscal year immediately prior to the date of termination or (b) bonus for the fiscal year in which the date of termination occurs, determined in accordance with the Company s bonus program, if any. In addition, for such 12-month period, if the termination had occurred prior to October 1, 2012, the Company would have continued his car allowance and club membership (at a monthly cost not to exceed the cost on the date of termination). Further, the Company will offer to continue his participation under the medical benefit plans sponsored by the Company in accordance with applicable law at a monthly cost that is not greater than that he was charged for coverage as of the date of termination. Thus, if Mr. Rufus had died, had been terminated because he had become disabled, had been terminated by the Company without cause or had resigned his employment for

32

good reason on September 30, 2012, he would have received approximately $729,197 in base salary, bonus and benefits; if Mr. Skulina had died, had been terminated because he had become disabled, had been terminated by the Company without cause or had resigned his employment for good reason on September 30, 2012, he would have received approximately $438,373 in base salary, bonus and benefits; if Mr. Palmer had died, had been terminated because he had become disabled, had been terminated by the Company without cause or had resigned his employment for good reason on September 30, 2012, he would have received approximately $427,032 in base salary, bonus and benefits; and if Mr. Leary had died, had been terminated because he had become disabled, had been terminated by the Company without cause or had resigned his employment for good reason on September 30, 2012, he would have received approximately $488,232 in base salary, bonus and benefits. Effective, October 1, 2012, each of Messrs. Rufus , Skulina s, Palmer s and Leary s employment agreement was amended to eliminate the continuation of the car allowance and payment by the Company of certain club membership fees if such executive officer is terminated for death or disability (as defined in each agreement and described under Employment Agreements below) or without cause by the Company or voluntarily resigns for good reason (as defined in each agreement and described under Employment Agreements below). Mr. Leary s employment agreement discontinued such benefits as of October 1, 2012 in accordance with its terms.

In addition, the option grants on March 4, 2011 for Messrs. Rufus, Skulina, Palmer and Leary have post-employment vesting provisions similar to those described above for Mr. Howley. The applicable option agreements provide that if the executive s employment terminates by reason of death, disability, termination without cause or termination for good reason, vesting of the options will continue after termination of employment as follows: if the executive s employment terminates for the aforementioned reasons on or after October 1, 2011 but prior to October 1, 2012, 20% of the remaining unvested options may continue to vest in accordance with their terms; if the executive s employment terminates for the aforementioned reasons on or after October 1, 2012 but prior to October 1, 2013, 40% of the remaining unvested options may continue to vest in accordance with their terms; if the executive s employment terminates for the aforementioned reasons on or after October 1, 2013 but prior to October 1, 2014, 60% of the remaining unvested options may continue to vest in accordance with their terms; if the executive s employment terminates for the aforementioned reasons on or after October 1, 2014 but prior to October 1, 2015, 80% of the remaining unvested options may continue to vest in accordance with their terms; and if the executive s employment terminates for the aforementioned reasons on or after October 1, 2015, 100% of the remaining options may continue to vest in accordance with their terms. In each case, the remaining unvested options to vest would be spread ratably over the remaining performance vesting schedule and time vesting schedule. If Mr. Rufus, Mr. Skulina, Mr. Palmer or Mr. Leary had died, become disabled, had been terminated by the Company without cause or had resigned from his employment for good reason on September 30, 2012, none of his options would be permitted to continue to vest in accordance with their terms. On November 19, 2012, the Compensation Committee amended each of Messrs. Rufus , Skulina s, Palmer s and Leary s stock option agreement of March 4, 2011 to also permit continued vesting if any such executive s employment terminates by reason of retirement after at least 15 years of service after age 60 or after at least ten years of service after age 65.

The Company s Stock Incentive Plan has provisions for accelerated vesting in certain circumstances on a change in control. In addition, all named executive officers are entitled to gross-ups for any excise tax due in connection with a change in control for grants made under the Stock Incentive Plan prior to fiscal 2013. If a change in control had occurred on September 30, 2012, Messrs. Howley, Rufus, Skulina, Palmer and Leary would have had 830,000, 140,000, 51,700, 49,200 and 72,400 options, respectively, vest, with a realized value of $66,924,800, $11,623,400, $3,588,982, $3,112,764 and $5,105,780, respectively (assuming the change in control price was $141.87, the closing price of the Company s stock on the NYSE on September 28, 2012). In addition, Messrs. Rufus, Skulina and Palmer would have received tax gross-ups of $5,224,633, $1,618,134 and $1,535,997, respectively. The foregoing amounts assume that the options that actually vested as of September 30, 2012 (subject to validation by the compensation committee that the performance targets had been met, which occurred in November 2012), were vested as of September 30, 2012 and were not accelerated pursuant to a change in control. Had a transaction actually occurred on September 30, 2012, tax regulations might have required those options to be deemed accelerated by the change in control.

In sum, had a change in control or termination for the various reasons set forth below occurred on September 30, 2012, the named executive officers would have been entitled to receive the following aggregate amounts:

	Change in Control ($)[1]	Termination for Cause ($)	Termination Without Cause ($)[2]	Termination for Death/ Disability ($)[2]	Voluntary Termination for Good Reason ($)[2]	Voluntary Termination without Good Reason ($)
W. Nicholas Howley	70,695,917[3]		3,771,117	3,771,117	3,771,117	
Gregory Rufus	16,882,230		729,197	729,197	729,197	
James Skulina	5,225,489		438,373	438,373	438,737	
Peter Palmer	4,671,793		427,032	427,032	427,032	
John Leary	3,607,355		488,232	488,232	488,232	

(1) Except for Mr. Howley (see note (3)), amounts assume that the named executive officer was not terminated in connection with the change in control. If the named executive was terminated without Cause in connection with a change in control, his compensation would also include amounts listed in the column for Termination Without Cause. Amounts assume that the options that actually vested as of September 30, 2012 (subject to validation by the Compensation Committee that the performance targets had been met, which occurred in November 2012), were vested as of September 30, 2012 and were not accelerated pursuant to a change in control.

(2) Amounts for Messrs. Rufus s, Skulina s, Palmer s and Leary s car allowance and country club dues were based on actual amounts paid in fiscal 2012, but actual amounts paid upon a termination could differ.

(3) Mr. Howley would receive salary, bonus and benefit continuation in the event of a change in control only if it was coupled with a change in Mr. Howley s title, position, duties, or responsibilities (including reporting responsibilities) which does not represent a promotion from the title, position, duties or responsibilities provided in Mr. Howley s employment agreement or Mr. Howley is assigned any duties or responsibilities which are inconsistent with his title, duties, or responsibilities as provided under Mr. Howley s employment agreement or there is a reduction in Mr. Howley s aggregate cash compensation (including bonus opportunities), or a change in Mr. Howley s benefits such that following such change, Mr. Howley s benefits are not substantially comparable to those to which he was entitled prior to such change and such change occurred within one year following a change in control or such change occurred prior to a change in control at the request of a third party who has indicated an intention or taken steps reasonably calculated to effect a change in control or such change occurred otherwise in connection with, or in anticipation of, a change in control which has been threatened or proposed and, as a result, Mr. Howley voluntarily terminates his employment.

Employment Agreements

Employment Agreement with W. Nicholas Howley, Chief Executive Officer

In connection with the acquisition of the Company by Warburg Pincus, on June 6, 2003, W. Nicholas Howley entered into an employment agreement with TransDigm Inc. to serve as President, Chief Executive Officer and Chairman of the Board of Directors of TransDigm Inc. That employment agreement was to expire on July 23, 2008 and Mr. Howley and the Company entered into a new employment agreement to serves as Chief Executive Officer and Chairman of the Board of the Company, replacing the 2003 agreement, in May 2008 (effective April 25, 2008, the date the Board substantively approved the agreement). The employment agreement was again amended and restated on February 23, 2011 and the term was extended through December 31, 2015. Effective as of October 1, 2005, Mr. Howley ceased serving as the President of the Company, but continues to serve as the Chief Executive Officer and Chairman of the Board of Directors of the Company.

Unless earlier terminated by the Company or Mr. Howley, the initial term of Mr. Howley s employment agreement expires on December 31, 2015. However, unless the Company or Mr. Howley elects not to renew the current term, upon the expiration of the current term, Mr. Howley s employment agreement will automatically be

34

extended for an additional one-year period. Under the terms of the employment agreement, Mr. Howley is entitled to receive an annual base salary of no less than $873,443 in calendar year 2012. The annual base salary is subject to annual review but may be increased and not decreased subject to such review. As of September 30, 2012, Mr. Howley s annual base salary was $873,443. In addition, under the terms of his employment agreement, Mr. Howley is entitled to participate in the Company s annual cash bonus plan, stock option plan and the other employee benefit plans, programs and arrangements that the Company may maintain from time to time for its senior officers. Under the terms of his employment agreement, Mr. Howley was also entitled to certain perquisites, including an annual automobile allowance, the payment by the Company of certain membership fees in respect of one country club of Mr. Howley s choice and the payment by the Company of certain reasonable expenses incurred by Mr. Howley in planning and preparing his tax returns and managing his financial affairs, provided that such expenses do not exceed $33,500 per year. Effective, October 1, 2012, Mr. Howley s employment agreement was amended to eliminate the annual automobile allowance, payment by the Company of certain country club membership fees and payment by the Company of certain expenses incurred in planning and preparing tax returns and managing his financial affairs. Through December 31, 2013, Mr. Howley is entitled to use a Company-provided airplane for personal use up to 12 times per year, so long as such use does not interfere with Company use. Mr. Howley will have imputed income with respect to such use at the Standard Industry Fare Level (SIFL) rate, as published by the Internal Revenue Code. The most recent amended and restated employment agreement provides that the foregoing benefit relating to airplane use will terminate December 31, 2013.

Mr. Howley s employment agreement provides that if he is terminated for any reason, he will be entitled to payment of any accrued but unpaid base salary through the termination date, any unreimbursed expenses, an amount for accrued but unused sick and vacation days, and benefits owing to him under the benefit plans and programs sponsored by the Company. In addition, if Mr. Howley s employment is terminated:

- without cause (where cause is defined as the repeated failure by Mr. Howley, 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 any willful misconduct by Mr. Howley 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, or Mr. Howley s conviction of, or pleading guilty or no contest to a felony that is or could reasonably be expected to result in material harm to the Company or any of its subsidiaries),

- by Mr. Howley for certain enumerated good reasons, which include:

  - a material diminution in Mr. Howley s title, duties or responsibilities (including reporting responsibilities), without his prior written consent,

  - a reduction of Mr. Howley s annual base salary or annual bonus opportunities, without his prior written consent, or

  - Mr. Howley is not re-elected to the Board of Directors, or

  - the Company requires Mr. Howley, without his prior written consent, to be based at any office or location that requires a relocation greater than 30 miles from Cleveland, Ohio, or

  - any material breach of the employment agreement by the Company), or

  - there is a change in Mr. Howley s title, position, duties, or responsibilities (including reporting responsibilities) which does not represent a promotion from the title, position, duties or responsibilities provided in Mr. Howley s employment agreement or Mr. Howley is assigned any duties or responsibilities which are inconsistent with his title, duties, or responsibilities as provided under Mr. Howley s employment agreement or there is a reduction in Mr. Howley s aggregate cash compensation (including bonus opportunities), or a change in Mr. Howley s

35

benefits such that following such change, Mr. Howley s benefits are not substantially comparable to those to which he was entitled prior to such change and such change occurred within one year following a change in control (as hereinafter defined) or such change occurred prior to a change in control at the request of a third party who has indicated an intention or taken steps reasonably calculated to effect a change in control or such change occurred otherwise in connection with, or in anticipation of, a change in control which has been threatened or proposed. As used in Mr. Howley s employment agreement, change in control means (A) a change in ownership or control of the Company effected through a transaction or series of transactions (other than a public offering) including by way of merger, consolidation or otherwise, whereby any person or related group of persons directly or indirectly acquires beneficial ownership of securities of the Company possessing more than 50% of the total combined voting power of the Company s securities outstanding immediately after such acquisition or (B) individuals who, as of February 23, 2011, were members of the Board of Directors of the Company (together with any successor director who was approved by two-thirds of such existing directors) cease to constitute 50% of the members of the Board of Directors or (C) the consummation of a complete liquidation or dissolution of the Company or (D) the consummation of a sale or other disposition of all or substantially all of the assets of the Company.

due to his death or disability (which is defined as the inability of Mr. Howley to perform his duties and responsibilities as an officer or employee of the Company or any of its subsidiaries on a full-time basis for more than six months within any 12-month period because of a physical, mental or emotional incapacity resulting from injury, sickness or disease),

the Company will, pay Mr. Howley, in substantially equal installments over a 24-month period, an amount equal to two times Mr. Howley s salary plus two times the greater of all of the bonuses paid or payable to Mr. Howley for the prior fiscal year (excluding any extraordinary bonus) or the target bonuses for the year in which Mr. Howley s employment terminates, determined in accordance with the Company s bonus program(s), if any. In addition, the Company will offer to Mr. Howley to continue his participation under the medical benefit plans sponsored by the Company in accordance with applicable law at a monthly cost to Mr. Howley that is not greater than the monthly cost that Mr. Howley is charged for coverage as of the date of termination.

In addition, as required by the employment agreement, Mr. Howley s stock option agreement of November 2008 vesting in 2009 through 2013 granting him 800,000 stock options provides that if Mr. Howley s employment terminates by reason of death, disability, termination without cause or termination for good reason, vesting of the options will continue after termination of employment as follows: If Mr. Howley s employment terminates for the aforementioned reasons on or after April 25, 2011 but prior to April 25, 2012, 60% of the remaining unvested options may continue to vest in accordance with their terms; if Mr. Howley s employment terminates for the aforementioned reasons on or after April 25, 2012 but prior to April 25, 2013, 80% of the remaining unvested options may continue to vest in accordance with their terms; and if Mr. Howley s employment terminates for the aforementioned reasons on or after April 25, 2013, 100% of the remaining unvested options may continue to vest in accordance with their terms. In each case, the remaining unvested options to vest would be spread ratably over the remaining performance vesting schedule. Thus, if Mr. Howley had died, had been terminated because he had become disabled, had been terminated by the Company without cause or had resigned from his employment for good reason on September 30, 2012, 640,000 options would be permitted to continue to vest in accordance with their terms. On November 19, 2012, the Compensation Committee amended Mr. Howley s stock option agreement of November 2008 vesting in 2009 through 2013 to also permit continued vesting if his employment terminates by reason of retirement after at least 15 years of service after age 60 or after at least ten years of service after age 65.

As also required by Mr. Howley s employment agreement, Mr. Howley s stock option agreement of March 2011 granting him 510,000 options vesting in 2014 and 2015 has similar provisions with regard to post-employment vesting. Therefore, if Mr. Howley s employment terminates by reason of death, disability, termination without cause or termination for good reason, vesting of the options will continue after termination of employment as follows: If Mr. Howley s employment terminates for the aforementioned reasons on or after April 25, 2011 but prior to April 25, 2013, 20% of the remaining unvested options may continue to vest in accordance with their terms; if Mr. Howley s employment terminates for the aforementioned reasons on or after April 25, 2012 but prior to April 25, 2013, 40% of the remaining unvested options may continue to vest in accordance with their terms; if Mr. Howley s employment terminates for any of the aforementioned reasons on or after April 25, 2013 but prior to April 25, 2014, 60% of the remaining unvested options may continue to vest in accordance with their terms; if Mr. Howley s employment terminates for any of the aforementioned reasons on or after April 25, 2014 but prior to April 25, 2015, 80% of the remaining unvested options may continue to vest in accordance with their terms; and if Mr. Howley s employment terminates for any of the aforementioned reasons on or after April 25, 2015, 100% of the remaining unvested options may continue to vest in accordance with their terms. In each case, the remaining unvested options to vest would spread ratably over the remaining performance vesting schedule. Thus, if Mr. Howley had died, had been terminated because he had become disabled, had been terminated by the Company without cause or had resigned from his employment for good reason on September 30, 2012, 204,000 options would be permitted to continue to vest in accordance with their terms. On November 19, 2012, the Compensation Committee amended Mr. Howley s stock option agreement of March 2011 vesting in 2014 and 2015 to also permit continued vesting if his employment terminates by reason of retirement after at least 15 years of service after age 60 or after at least ten years of service after age 65.

During the term of Mr. Howley s employment and following any termination of his employment, for a period of 24 months, Mr. Howley will be prohibited from engaging in any business that competes with any business of TransDigm Inc. or any entity owned by TransDigm Inc. and from rendering services to any person or entity designed to assist such person or entity to acquire a business that the Company has pursued or had demonstrable plans to pursue as an acquisition target within 24 months prior to Mr. Howley s termination. In addition, during the term of his employment and for the two-year period following the termination of Mr. Howley s employment for any reason, he will be prohibited from soliciting or inducing any person who is or was employed by, or providing consulting services to, the Company during the 12-month period prior to the date of the termination of his employment, to terminate their employment or consulting relationship with the Company. Under the terms of his employment agreement, Mr. Howley is also subject to certain confidentiality and non-disclosure obligations, and the Company has agreed, so long as Mr. Howley is not in breach of certain of his obligations under his employment agreement, to, among other things, indemnify him to the fullest extent permitted by Delaware law 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 his serving or having served any other enterprise as a director, officer or employee at the Company s request.

Employment Agreements with Other Executive Officers

On November 18, 2005, Gregory Rufus entered into an employment agreement with the Company, effective October 1, 2005, to serve as Executive Vice President and Chief Financial Officer, respectively, of the Company. The employment agreement was amended to conform with the provisions of Section 409A under the Internal Revenue Code on October 29, 2008. The initial term of Mr. Rufus employment agreement expired on October 1, 2010 but was automatically extended for an additional two year period. On February 24, 2011, Mr. Rufus entered into new amended and restated employment agreement with the Company extending the term of the agreement through December 31, 2015. On April 20, 2012, each of Messrs. James Skulina and Peter Palmer entered into employment agreements with the Company to serve as Executive Vice President of the Company. Unless earlier terminated by the Company or Messrs. Skulina or Palmer, as the case may be, the terms of their agreements extend until October 1, 2017. On July 30, 2012, Mr. John Leary entered into an employment agreement with the Company to serve as Executive Vice President of the Company. Unless earlier terminated by the Company or Mr. John Leary, the term of his agreements extends until October 1, 2015.

Unless the Company or the executive elects not to renew the term, upon expiration of the current term of each executive s employment agreement, the agreement will automatically be extended for an additional two-year period. Under the terms of the employment agreements, Mr. Rufus is entitled to receive an annual base salary of no less than $395,000, Mr. Skulina was entitled to receive an annual base salary of no less than $310,000, Mr. Palmer is entitled to receive an annual base salary of no less than $310,000 and Mr. Leary was entitled to receive an annual base salary of no less than $335,000 through September 30, 2012 and no less than $348,500 thereafter, each of which annual base salary is subject to annual review but may be increased and not decreased subject to such review. As of September 30, 2012, Mr. Rufus , Mr. Skulina s, Mr. Palmer s and Mr. Leary s respective annual base salaries were $415,000, $ 310,000, $310,000 and $335,000. In addition, under the terms of their respective employment agreements, Mr. Rufus, Mr. Skulina, Mr. Palmer and Mr. Leary are entitled to participate in the Company s annual cash bonus plan, non-qualified deferred compensation plan, stock option plan and the other employee benefit plans, programs and arrangements that the Company may maintain from time to time for its senior officers. Under the terms of their respective employment agreement, Messrs. Rufus, Skulina, Palmer and Leary were also entitled to certain perquisites, including an annual automobile allowance and the payment by the Company of certain membership fees in respect of one country club of the executive s choice until such agreements were amended effective October 1, 2012 (or, in the case of Mr. Leary, such perquisites were eliminated by the express terms of the employment agreement). Effective October 1, 2012, each of Messrs. Rufus , Skulina s, Palmer s, and Mr. Leary s employment agreement was amended to eliminate the annual automobile allowance and the payment by the Company of certain country club membership fees and their base salaries were increased accordingly.

The employment agreements provide that if Mr. Rufus, Mr. Skulina, Mr. Palmer or Mr. Leary is terminated for any reason, he will be entitled to payment of any accrued but unpaid base salary through the termination date, any unreimbursed expenses, an amount for accrued but unused sick and vacation days, and benefits owing to him under the benefit plans and programs sponsored by the Company. In addition, if his employment is terminated:

- without cause (which is defined as the repeated failure by the executive officer, 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 any willful misconduct by the executive officer 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),

- by the executive officer for certain enumerated good reasons, which include:

  - a material diminution in the his title, duties or responsibilities, without his prior written consent,

  - a reduction of his aggregate cash compensation (including bonus opportunities), benefits or perquisites, without his prior written consent,

  - the Company requires him, without his prior written consent, to be based at any office or location that requires a relocation greater than 30 miles from Cleveland, Ohio, or

  - any material breach of this Agreement by the Company, or

- due to his death or disability (which is defined as the executive officer s 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 at least 12 months or a 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 at least 12 months, and for which the executive officer is receiving income replacement benefits for a period of at least three months under an accident and health plan covering the Company s employees),

the Company will pay (or would have paid) the executive officer, in substantially equal installments over a 12-month period, an amount equal to one times his salary plus one times the greater of all of the bonuses paid or payable to him for the prior fiscal year (excluding any extraordinary bonus) or the bonuses for the year in which his employment terminates, determined in accordance with the Company s bonus program(s), if any, plus, if termination occurred prior to October 1, 2012, the executive officer s annual automobile allowance. In addition,

38

the Company will offer (or would have offered) to the executive officer to continue his participation under the medical benefit plans sponsored by the Company in accordance with applicable law at a monthly cost to him that is not greater than the monthly cost that he is charged for coverage as of the date of termination and, if termination occurred prior to October 1, 2012, the Company would have reimbursed the executive officer monthly for membership fees in one country club, not to exceed in any month one-twelfth of the monthly fees he was entitled to have reimbursed as of the date of termination. Effective, October 1, 2012, each of Messrs. Mr. Rufus , Mr. Skulina s, Mr. Palmer s and Mr. Leary s employment agreements was amended to eliminate payment of an executive officer s annual automobile allowance and certain country club membership fees following termination of such officer s employment (or, in the case of Mr. Leary, such perquisites were eliminated by the express terms of the employment agreement). During the term of each executive officer s employment and following any termination of his employment, for a period of 12 months in the case of a termination without cause or for enumerated good reasons, or 24 months in the event of his voluntary termination without enumerated good reasons or termination for cause, the executive officer will be prohibited from engaging in any business that competes with any business of the Company or any entity owned by TransDigm Inc. In addition, during the term of his employment and for the two-year period following the termination of each executive officer s employment for any reason, he will be prohibited from soliciting or inducing any person who is or was employed by, or providing consulting services to, the Company during the 12-month period prior to the date of the termination of his employment, to terminate their employment or consulting relationship with the Company. Under the terms of his employment agreement, each executive officer is also subject to certain confidentiality and non-disclosure obligations, and the Company has agreed, so long as the executive officer is not in breach of certain of his obligations under his employment agreement, to, among other things, indemnify him to the fullest extent permitted by Delaware law 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 his serving or having served any other enterprise as a director, officer or employee at the Company s request.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Employment Agreements

Information regarding employment agreements with several of the Company s executive officers is set forth under Executive Compensation Employment Agreements.

Business Relationship with Satair A/S

Mr. Staer is the Chief Executive Officer of Satair A/S, a subsidiary of Airbus (Satair), and a distributor of aerospace products, including parts manufactured by subsidiaries of the Company. Mr. Staer was elected to the Board of Directors on January 20, 2012. Until October 2011, Mr. Howley was a director of Satair and served on Satair s compensation committee. In fiscal 2012, Satair purchased parts from subsidiaries of the Company with an aggregate purchase price of approximately $70.2 million, representing approximately 4.1% of the Company s net sales.

Acquisition of AmSafe

In February 2012, the Company purchased AmSafe Global Holdings, Inc. for approximately $750 million in cash from a group controlled by Berkshire Partners LLC (Berkshire) and Greenbriar Equity Group LLC. At the time of the sale, affiliates of Berkshire held approximately 37.5% of the equity of AmSafe. Affiliates of Berkshire also hold greater than 5% of the outstanding equity of the Company and Mr. Robert Small, a managing director of Berkshire, serves on the board of directors of the Company (but did not serve on the board of directors of AmSafe). Mr. Small recused himself from deliberations regarding the potential acquisition and abstained from the vote of the Company s Board of Directors in approving the AmSafe acquisition transaction.

Approval or Ratification of Transactions with Related Persons

The Board of Directors of the Company reviews and must approve all related party transactions. Proposed transactions between the Company and related persons (as defined in Regulation S-K Item 404 under the Securities Act of 1933) are submitted to the full Board for consideration. The relationship of the parties and the terms of the proposed transaction are reviewed and discussed by the Board and the Board may approve or disapprove the Company entering into the transaction. All related party transactions, whether or not those transactions must be disclosed under Federal securities laws, are approved by the Board pursuant to the policy.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company s directors and executive officers, and owners of more than 10% of a registered class of the Company s equity securities, to file with the SEC and the New York Stock Exchange initial reports of ownership and reports of changes in ownership of common shares and other equity securities of the Company. Executive officers, directors and owners of more than 10% of the common shares are required by SEC regulations to furnish the Company with copies of all forms they file pursuant to Section 16(a).

To the Company s knowledge, based solely on review of the copies of such reports furnished to the Company and written representations that no other reports were required, during the fiscal year ended September 30, 2012, all Section 16(a) filing requirements applicable to its executive officers, directors and greater than 10% beneficial owners were complied with, except that Mr. Staer filed a late Form 3 on March 2, 2012 relating to his election to the Board on January 20, 2012, Mr. Skulina filed a late Form 4 on February 3, 2012 relating to a stock option grant on January 19, 2012, Mr. Laubenthal filed a late Form 4 on September 18, 2012 relating to a stock option exercise and sale that occurred on August 15, 2012 and Mr. James Riley filed a late Form 4 on December 20, 2012 relating to a stock option exercise and sale that occurred on December 15, 2012.

AUDIT COMMITTEE REPORT

In accordance with its written charter adopted by the Board of Directors, the Audit Committee assists the Board of Directors in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing and financial reporting practices of the Company. The Audit Committee meets at least quarterly to review quarterly or annual financial information prior to its release and inclusion in SEC filings. As part of each meeting, the Audit Committee has the opportunity to meet independently with management and the Company s independent registered public accounting firm.

In discharging its oversight responsibility as to the audit process, the Audit Committee obtained a formal written statement from the independent registered public accounting firm describing all relationships between the independent registered public accounting firm and the Company that might bear on the independent registered public accounting firm s independence consistent with Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, discussed with the independent registered public accounting firm any relationships that may impact its objectivity and independence, and satisfied itself as to the independent registered public accounting firm s independence.

The Audit Committee reviewed and discussed with the independent registered public accounting firm all communications required by generally accepted auditing standards, including those described in Statement on Auditing Standards No. 61, as amended, Communication with Audit Committees, and reviewed and discussed the results of the independent registered public accounting firm s examination of the financial statements.

The Audit Committee reviewed and discussed the audited financial statements of the Company for the year ended September 30, 2012 with management and the independent registered public accounting firm. Management has the responsibility for the preparation of the Company s financial statements, and the independent registered public accounting firm has the responsibility for the examination of those statements.

Based on the above-described review and discussions with management and the independent registered public accounting firm, the Audit Committee recommended to the Board of Directors that the Company s audited financial statements be included in its Annual Report on Form 10-K for the year ended September 30, 2012 for filing with the Securities and Exchange Commission.

Audit Committee

Sean P. Hennessy, Chairman

William Dries

Douglas W. Peacock

Robert Small

PROPOSAL TWO: ADVISORY VOTE ON EXECUTIVE COMPENSATION

The following proposal provides stockholders the opportunity to cast an advisory vote on the Company s compensation for named executive officers by voting for or against the following resolution. As an advisory vote, this proposal is non-binding. Although the vote is non-binding, the Board of Directors and the Compensation Committee will consider the results of the vote when making future compensation decisions for the Company s named executive officers.

RESOLVED, that the stockholders approve the compensation of the Company s named executive officers, as disclosed in the Compensation Discussion and Analysis, the compensation tables, and the related disclosure contained in the proxy statement set forth under the caption EXECUTIVE COMPENSATION in this proxy statement.

The Board of Directors unanimously recommends that you vote FOR approval of the compensation of the Company s named executive officers as disclosed in the Compensation Discussion and Analysis, the compensation tables, and the related disclosure contained in the proxy statement set forth under the caption EXECUTIVE COMPENSATION in this proxy statement. Proxies will be voted FOR approval of the proposal unless otherwise specified.

PROPOSAL THREE: RATIFICATION OF THE SELECTION OF

ERNST & YOUNG LLP AS THE COMPANY S INDEPENDENT ACCOUNTANTS

Ernst & Young LLP has served as independent registered public accounting firm to the Company since 2003 and is expected to do so for the fiscal year ending September 30, 2013. A representative of Ernst & Young LLP is expected to be present, and available to respond to appropriate questions, at the Annual Meeting and will have an opportunity to make a statement, if desired.

Stockholder ratification of the selection of Ernst & Young LLP as the Company s independent registered public accounting firm is not required by the Company s Bylaws or otherwise. However, the Company is submitting the selection of Ernst & Young LLP to the stockholders for ratification as a matter of good corporate practice. If the stockholders do not ratify the selection, the Audit Committee will reconsider whether to retain the firm. In such event, the Audit Committee may retain Ernst & Young LLP, notwithstanding the fact that the stockholders did not ratify the selection, or select another nationally recognized accounting firm without re-submitting the matter to the stockholders. Even if the selection is ratified, the Audit Committee reserves the right in its discretion to select a different nationally recognized accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and its stockholders. Below are the fees billed to the Company for the 2011 and 2012 fiscal years:

Audit Fees

Ernst & Young billed the Company an aggregate of approximately $2,226,000 in fees for professional services rendered in connection with the audit of the Company s annual consolidated financial statements and reviews of the consolidated financial statements of the Company included in its quarterly reports during fiscal year ended September 30, 2011 and approximately $2,472,000 during fiscal year ended September 30, 2012.

Audit-Related Fees

Ernst & Young billed the Company approximately $386,000 in fees for professional services rendered during the fiscal year ended September 30, 2011. Such services principally included assistance and consultation provided to management in performing due diligence in connection with potential acquisitions. Ernst & Young did not perform any similar services in fiscal year 2012.

Tax Fees

Ernst & Young billed the Company an aggregate of approximately $956,000 in fees for professional services rendered for the fiscal year ended September 30, 2011 and approximately $292,000 for the fiscal year ended September 30, 2012. Such services principally included assistance and consultation provided to the Company in connection with tax planning matters, mergers and acquisitions and tax compliance matters.

All Other Fees

No services were provided the Company by Ernst & Young during the years ended September 30, 2011 and September 30, 2012 other than audit services, audit-related services and tax services.

Audit Committee Pre-Approval Policy

The Audit Committee must pre-approve any audit or permissible non-audit services. The Audit Committee pre-approves, on an individual basis, all audit and permissible non-audit services provided by the independent auditors, and has provided blanket approval for acquisition-related services less than $100,000. These services may include audit services, audit-related services, tax services and other services. Pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The independent auditors and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent auditors in accordance with this pre-approval, and the fees for the services performed to date. 100% of non-audit services were preapproved by the Audit Committee.

The Board of Directors unanimously recommends that stockholders vote FOR this proposal.

PROPOSAL FOUR: STOCKHOLDER PROPOSAL

The Pension Reserves Investment Trust Fund, 84 State Street, Second Floor, Boston, Massachusetts 02109, the beneficial owner of 38,648 shares of the Company s common stock as of August 7, 2012, has advised the Company that it intends to submit a proposal to a vote of stockholders at the annual meeting of stockholders on March 6, 2013. The proposal and the stockholder s statement in support thereof are set forth below. If properly presented, this proposal will be voted on at the annual meeting.

The Board of Directors disclaims any responsibility for the content of the proposal and statement in support, which are presented in the form received from the stockholder. For the reasons set forth following the proposal, the Board of Directors makes no voting recommendation regarding this proposal.

Stockholder Proposal and Stockholder s Supporting Statement

PROPOSAL TO REPEAL CLASSIFIED BOARD

RESOLVED, that shareholders of TransDigm Group Incorporated urge the Board of Directors to take all necessary steps (other than any steps that must be taken by shareholders) to eliminate the classification of the Board of Directors and to require that all directors elected at or after the annual meeting held in 2014 be elected on an annual basis. Implementation of this proposal should not prevent any director elected prior to the annual meeting held in 2014 from completing the term for which such director was elected.

SUPPORTING STATEMENT

This resolution was submitted on behalf of the Pension Reserves Investment Trust Fund by its trustee, the Pension Reserves Investment Management Board. The Shareholder Rights Project represented and advised the Pension Reserves Investment Management Board in connection with this resolution.

The resolution urges the board of directors to facilitate a declassification of the board. Such a change would enable shareholders to register their views on the performance of all directors at each annual meeting. Having directors stand for elections annually makes directors more accountable to shareholders, and could thereby contribute to improving performance and increasing firm value.

According to data from FactSet Research Systems, the number of S&P 500 companies with classified boards declined by more than 60% since 2000, and the average percentage of votes cast in favor of shareholder proposals to declassify the boards of S&P 500 companies during 2010 and 2011 exceeded 75%.

The significant shareholder support for declassification proposals is consistent with empirical studies reporting that:

- Classified boards are associated with lower firm valuation (Bebchuk and Cohen, 2005; confirmed by Faleye (2007) and Frakes (2007));

- Takeover targets with classified boards are associated with lower gains to shareholders (Bebchuk, Coates, and Subramanian, 2002);

43

Firms with classified boards are more likely to be associated with value-decreasing acquisition decisions (Masulis, Wang, and Xie, 2007); and

Classified boards are associated with lower sensitivity of compensation to performance and lower sensitivity of CEO turnover to firm performance (Faleye, 2007).

Although one study (Bates, Becher and Lemmon, 2008) reports that classified boards are associated with higher takeover premiums, this study also reports that classified boards are associated with a lower likelihood of an acquisition and that classified boards are associated with lower firm valuation.

Please vote for this proposal to make directors more accountable to shareholders.

Board of Directors Statement Regarding the Stockholder Proposal to Repeal Classified Board

The Board of Directors has carefully considered the stockholder proposal set forth above relating to declassifying the Board of Directors, and at this time has determined neither to oppose nor to support the proposal and to make no voting recommendation to stockholders. The Board of Directors recognizes that this has been a controversial matter for other companies and believes there are valid arguments for and against declassifying the Board. This proposal will provide stockholders with an opportunity to express their views on this topic. The proposal is non-binding and requests that the Board of Directors take the steps necessary to eliminate the classified board structure. Any change in the classified structure of the Board of Directors would require an amendment to the Company s amended and restated certificate of incorporation. Such an amendment would have to be approved by the affirmative vote of not less than three-fourths of the outstanding shares of the Company s common stock.

After careful consideration, the Board of Directors is neither supporting nor opposing this proposal and makes no voting recommendation. Unless you instruct otherwise on your proxy card or by telephone or internet voting instructions, your proxy will be voted ABSTAIN on this proposal.

STOCKHOLDER PROPOSALS FOR 2014 ANNUAL MEETING

If a stockholder wants to include a proposal in our Proxy Statement and form of proxy for presentation at the Company s 2013 Annual Meeting of Stockholders, the proposal must be provided in the manner set forth in SEC Rule 14a-8 and received by the Company at its principal executive offices at 1301 East Ninth Street, Suite 3000, Cleveland, Ohio 44114 by September 30, 2013. The proposal should be sent to the attention of the Secretary of the Company.

The Company s Bylaws provide certain procedures that a stockholder must follow to nominate persons for election as directors or to introduce an item of business at an Annual Meeting of Stockholders outside of SEC Rule 14a-8 (and therefore not for inclusion in our proxy materials for such Annual Meeting of Stockholders). These procedures provide that nominations for director nominees or an item of business to be introduced at an Annual Meeting of Stockholders must be submitted in writing to the Secretary of the Company at its principal executive offices. The Company must receive the notice of a stockholder s intention to introduce a nomination at the Company s 2014 Annual Meeting of Stockholders between November 6, 2013 and December 6, 2013. The Company must receive the notice of a stockholder s intention to propose an item of business, other than a director nomination, at the Company s 2014 Annual Meeting of Stockholders between December 6, 2013 and January 5, 2014. The chairman of the 2014 Annual Meeting may refuse to allow the transaction of any business, or to acknowledge the nomination of any person, not made in compliance with the foregoing procedures.

HOUSEHOLDING

The Securities and Exchange Commission permits a single set of annual reports and proxy statements to be sent to any household at which two or more stockholders reside if they appear to be members of the same family. Each stockholder continues to receive a separate proxy form. This procedure, referred to as householding, reduces the volume of duplicate information stockholders receive and reduces mailing and printing costs. A number of brokerage firms have instituted householding. Only one copy of this proxy statement and the attached annual report will be sent to certain beneficial stockholders who share a single address, unless any stockholder residing at that address gave contrary instructions. If any beneficial stockholder residing at such an address desires at this time to receive a separate copy of this proxy statement and the attached annual report or if any such stockholder wishes to receive a separate proxy statement and annual report in the future, the stockholder should provide such instructions to the Company by calling Investor Relations at (216) 706-2945, or by writing to Investor Relations, TransDigm Group Incorporated, 1301 East Ninth Street, Suite 3000, Cleveland, Ohio 44114.

OTHER MATTERS

If the enclosed proxy is properly executed and returned to the Company, the persons named in it will vote the shares represented by such proxy at the meeting. A stockholder may specify a vote for the election of directors as set forth under Election of Directors, the withholding of authority to vote in the election of directors, or the withholding of authority to vote for one or more specified nominees.

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, in favor of ratification of the selection of Ernst & Young as the Company s independent accountants and will abstain from voting on the stockholder proposal. If any other matters shall properly come before the meeting, the persons named in the proxy will vote thereon in accordance with their judgment. Management does not know of any other matters which will be presented for action at the meeting.

By order of the Board of Directors,

Gregory Rufus

Secretary

Dated: January 28, 2013

VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

CONTROL #g

NAME

THE COMPANY NAME INC. - COMMON	**SHARES**	**123,456,789,012.12345**
THE COMPANY NAME INC. - CLASS A		**123,456,789,012.12345**
THE COMPANY NAME INC. - CLASS B		**123,456,789,012.12345**
THE COMPANY NAME INC. - CLASS C		**123,456,789,012.12345**
THE COMPANY NAME INC. - CLASS D		**123,456,789,012.12345**
THE COMPANY NAME INC. - CLASS E		**123,456,789,012.12345**
THE COMPANY NAME INC. - CLASS F		**123,456,789,012.12345**
THE COMPANY NAME INC. - 401 K		**123,456,789,012.12345**

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: x

PAGE 1 OF 2

KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

	For All	Withhold All	For All Except	To withhold authority to vote for any individual nominee(s), mark For All Except and write the number(s) of the nominee(s) on the line below.
The Board of Directors recommends you vote FOR the following:				
1. Election of Directors	..	..	..	

Nominees

01 Mervin Dunn 02 Michael Graff

The Board of Directors recommends you vote FOR proposals 2 and 3 and makes no recommendation regarding proposal 4.

		For	Against	Abstain
2	To approve (in an advisory vote) 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 fiscal year ending September 30, 2013	..	..	..

		For	Against	Abstain
4	To vote on a stockholder proposal, if properly presented at the meeting	..	..	..

NOTE: In their discretion, to vote upon such other business as may properly come before the meeting, or any adjournment thereof

For address change/comments, mark here. ..

(see reverse for instructions)
Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

SHARES

CUSIP #

SEQUENCE #

JOB #

Signature [PLEASE SIGN WITHIN BOX] Date Signature (Joint Owners) Date

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting: The Annual Report, Notice & Proxy Statement is/are available at www.proxyvote.com .

TRANSDIGM GROUP INCORPORATED

Annual Meeting of Stockholders

March 6, 2013 9:00AM

This proxy is solicited by the Board of Directors

The undersigned hereby appoints W. Nicholas Howley and Gregory Rufus, and each of them, the attorneys and proxies of the undersigned with full power of substitution to vote, as indicated herein, all shares of common stock of TransDigm Group Incorporated held of record by the undersigned on January 11, 2013 at the Annual Meeting of Stockholders to be held on March 6, 2013, or any adjournment thereof, with all the powers the undersigned would possess if then and there personally present. Receipt of Notice of Annual Meeting of Stockholders and the related Proxy Statement dated January 28, 2013 is hereby acknowledged.

If no instructions are given, the proxies will vote to elect the director nominees listed in Election of Directors, FOR Proposal 2 (approval of executive compensation) and Proposal 3 (ratification of the selection of the independent accountants), and will abstain from voting on Proposal 4 (vote on a stockholder proposal).

Address change/comments:

(If you noted any Address Changes and/or Comments above, please mark corresponding box on the reverse side.)

Continued and to be signed on reverse side