



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

MATTHEW SCIABACUCCHI,)
Derivatively on Behalf of TRANSDIGM)
GROUP INCORPORATED)

Plaintiff,)

v.)

W. NICHOLAS HOWLEY, KEVIN)
STEIN, DAVID BARR, WILLIAM)
DRIES, MERVIN DUNN, MICHAEL)
S. GRAFF, SEAN P. HENNESSY,)
RAYMOND LAUBENTHAL, GARY)
MCCULLOUGH, MICHELE)
SANTANA, ROBERT J. SMALL, and)
JOHN STAER,)

C.A. No. 2021-0938-LWW

Individual Defendants)

-and-)

TRANSDIGM GROUP)
INCORPORATED, a Delaware)
corporation,)

Nominal Defendant.)

**STIPULATION AND AGREEMENT OF
COMPROMISE, SETTLEMENT AND RELEASE**

This Stipulation of Settlement (the “Stipulation”) is entered into this 19th day of August, 2022, by and among Plaintiff Matthew Sciabacucchi (“Plaintiff”) and Defendants W. Nicholas Howley, Kevin Stein, David Barr, Mervin Dunn, Michael S. Graff, Sean P. Hennessy, Raymond Laubenthal, Gary

McCullough, Michele Santana, Robert J. Small and John Staer (collectively the “Defendants”) and Nominal Defendant TransDigm Group Incorporated (“TransDigm” or the “Company,” and collectively with Plaintiff and Defendants, the “Settling Parties”), who are parties to the derivative action captioned *Sciabacucchi v. Howley, et al.*, C.A. No. 2021-0938-LWW (the “Action”), pending in the Court of Chancery of the State of Delaware (the “Court”). The Settling Parties intend this Stipulation to fully, finally, and forever resolve, discharge, and settle all Settled Claims (as defined below) as against the Released Parties (as defined below) upon and subject to the terms and conditions herein (the “Settlement”) and subject to the approval of the Court.

WHEREAS:

A. The Verified Stockholder Derivative Complaint (the “Complaint”) filed on November 1, 2021, purports to assert derivative claims on behalf of TransDigm against Defendants challenging as excessive and unfair compensation awarded to Messrs. Howley and Stein, who at the time were serving as executive directors, and Messrs. Barr, Dries, Dunn, Graff, Hennessy, Laubenthal, McCullough, Santana, Small, and Staer, who at the time were serving as non-employee directors.

B. The Complaint specifically asserts that unfair and excessive compensation was awarded to the Defendants in the form of (1) option grants that

vested based on annual operating performance (“AOP”) targets, (2) vesting of unvested options despite non-achievement of the requisite AOP targets; and (3) dividend equivalent payments (“DEPs”) paid on vested but unexercised options held by Defendants without an articulated Board plan or a stockholder approved plan in place (collectively the “Awards”). The Complaint further alleges that Defendants breached their fiduciary duties by engaging in a *quid pro quo* scheme in which certain non-employee director Defendants awarded Howley and Stein excessive compensation so that they would not object to the non-employee director Defendants’ own excessive compensation, committed waste of corporate assets, and unjustly enriched themselves in approving the compensation. The Complaint also alleges that the compensation received by Howley, the Company’s executive chairman until August 2021, was excessive in part because his compensation was over three times the amount Stein, the Company’s CEO, received in compensation for FY 2020 and Howley’s compensation was excluded from the compensation consultant’s report.

C. Before bringing his Complaint, Plaintiff sought books and records of TransDigm concerning the Awards (the “220 Demand”). In response to that request, TransDigm produced to Plaintiff approximately seven hundred pages of documents, which Plaintiff’s counsel reviewed and utilized in drafting the Complaint.

D. William Dries passed away on December 2, 2020, prior to the filing of the Action.

E. On December 17, 2021, Plaintiff filed a notice of dismissal without prejudice of Dries.

F. On June 20, 2022, after extensive arm's-length negotiations, the parties reached an agreement in principle and executed a term sheet providing for the settlement of Plaintiff's claims against Defendants on the terms set forth therein (the "Term Sheet").

G. The Settlement reflects the results of the parties' negotiations, agreement as to which was only reached after arm's-length negotiations between the Settling Parties who were all represented by counsel with extensive experience and expertise in stockholder derivative litigation.

H. Each of the Defendants has denied, and continues to deny, that he or she has committed any breach of duty, breached any other law, or engaged in any of the wrongful acts alleged in the Action; expressly maintains that he or she diligently and scrupulously complied with his or her fiduciary and other legal duties, to the extent such duties exist; and further believes that the Action is without merit. The Defendants are entering into this Stipulation and the Settlement solely to eliminate the burden, expense, and uncertainties inherent in further litigation.

I. Plaintiff commenced the Action in good faith and continues to believe that his derivative claims have legal merit, and the entry by Plaintiff into this

Stipulation is not an admission as to a lack of any merit of any derivative claims asserted or that could be asserted in the Action.

J. Plaintiff has concluded that the Settlement is fair and adequate, and that it is appropriate and reasonable to pursue the Settlement based on the terms and procedures outlined herein.

K. The Company and its Board of Directors (the “Board”) have determined that a settlement pursuant to the terms set forth in this Stipulation is fair and reasonable, and is advisable and in the best interests of, the Company and its stockholders.

L. The parties did not discuss or begin negotiating the amount of any petition by Plaintiff’s counsel for an award of attorneys’ fees and expenses until after they had reached agreement on all material terms of the Settlement;

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED by and among Plaintiff and Defendants that, in consideration of the benefits afforded herein, the Action shall be fully and finally compromised and settled, that the Released Claims (as defined below) shall be released as against the Released Parties (as defined below), and that the Action shall be dismissed with prejudice, upon and subject to the following terms and conditions, and further subject to the approval of the Court:

DEFINITIONS

1. In addition to the terms defined elsewhere in this Stipulation, the following terms used in this Stipulation have the meanings specified below:

a. “Company Stockholders” means all individuals or entities who hold of record, or beneficially own, directly or indirectly, common stock of the Company as of the close of business on the date the Court enters the Scheduling Order (as defined below).

b. “Defendants’ Released Claims” shall mean any and all manner of claims, demands, rights, liabilities, losses, obligations, duties, damages, costs, debts, expenses, interest, penalties, sanctions, fees, attorneys’ fees, actions, potential actions, causes of action, suits, agreements, judgments, decrees, matters, issues and controversies of any kind, nature, or description whatsoever, whether known or unknown, disclosed or undisclosed, accrued or unaccrued, apparent or not apparent, foreseen or unforeseen, matured or not matured, suspected or unsuspected, liquidated or not liquidated, fixed or contingent, including Unknown Claims (as defined herein), whether based on state, local, foreign, federal, statutory, regulatory, common, or other law or rule, that are, have been, could have been, could now be, or in the future could, can, or might be asserted through the date of the Settlement Hearing (as defined below), in the Action or in any other court, tribunal, or proceeding by Defendants’ Releasees against any of the Plaintiff’s Releasees that

are based upon, arise out of, relate in any way to, or involve, directly or indirectly, the actions, transactions, occurrences, statements, representations, misrepresentations, omissions, allegations, disclosures, facts, practices, events, claims, or any other matters, things, or causes whatsoever, or any series thereof, that: (a) were alleged, asserted, set forth, claimed, embraced, involved, or referred to in, or related to, in each case, the Action, or (b) which could have been asserted against any of the Defendants' Releasees regarding (i) the compensation paid to the directors or named executive officers of the Company in Fiscal Year ("FY") 2020 and FY 2021; (ii) the approval or receipt of compensation to the directors or named executive officers of the Company in FY 2020 or FY 2021; (iii) any disclosures made with respect to the foregoing; and (iv) any operative fact, allegations, claims, or prayers for relief made in the Action, except for claims relating to the enforcement of the Settlement.

c. "Defendants' Releasees" shall mean each of Defendants and each of their and TransDigm's respective parents, subsidiaries, affiliates and controlling persons, and any current or former officer or director of any of the foregoing, and each of their respective past, present, or future family members, spouses, heirs, trusts, trustees, executors, estates, administrators, beneficiaries, distributees, foundations, agents, employees, fiduciaries, partners, partnerships, general or limited partners or partnerships, joint ventures, member firms, limited

liability companies, corporations, divisions, affiliates, associated entities, stockholders, principals, officers, directors, managing directors, members, managing members, managing agents, predecessors, predecessors-in-interest, successors, successors-in-interest, assigns, financial or investment advisors, advisors, consultants, investment bankers, entities providing any fairness opinion, underwriters, brokers, dealers, lenders, commercial bankers, attorneys (including all Defendants' counsel in this action), counsel, personal or legal representatives, accountants, insurers, co-insurers, reinsurers, and associates.

d. "Plaintiff's Released Claims" shall mean any and all manner of claims, demands, rights, liabilities, losses, obligations, duties, damages, costs, debts, expenses, interest, penalties, sanctions, fees, attorneys' fees, actions, potential actions, causes of action, suits, agreements, judgments, decrees, matters, issues and controversies of any kind, nature, or description whatsoever, whether known or unknown, disclosed or undisclosed, accrued or unaccrued, apparent or not apparent, foreseen or unforeseen, matured or not matured, suspected or unsuspected, liquidated or not liquidated, fixed or contingent, including Unknown Claims (as defined herein), whether based on state, local, foreign, federal, statutory, regulatory, common, or other law or rule, that are, have been, could have been, could now be, or in the future could, can, or might be asserted through the date of the Settlement Hearing, in the Action or in any other court, tribunal, or proceeding by Plaintiff, any other TransDigm

stockholder, individually or derivatively on behalf TransDigm, or by TransDigm directly, against any of the Defendants' Releasees that are based upon, arise out of, relate in any way to, or involve, directly or indirectly, the actions, transactions, occurrences, statements, representations, misrepresentations, omissions, allegations, disclosures, facts, practices, events, claims, or any other matters, things, or causes whatsoever, or any series thereof, that: (a) were alleged, asserted, set forth, claimed, embraced, involved, or referred to in, or related to, in each case, the Action, or (b) which could have been asserted against any of the Releasing Parties regarding (i) the compensation paid to the directors or named executive officers of the Company in FY 2020 and FY 2021; (ii) the approval or receipt of compensation to the directors or named executive officers of the Company in FY 2020 or FY 2021; (iii) any disclosures made with respect to the foregoing; and (iv) any operative fact, allegations, claims, or prayers for relief made in the Action. Plaintiff's Released Claims exclude claims relating to the enforcement of the Settlement.

e. "Plaintiff's Releasees" shall mean each of (i) Plaintiff (both individually and derivatively on behalf of TransDigm); (ii) each and every Company Stockholder, and (iii) TransDigm, and each of their respective parents, subsidiaries, affiliates and controlling persons, and any current or former officer or director of any of the foregoing, and each of their respective past, present, or future family members, spouses, heirs, trusts, trustees, executors, estates, administrators,

beneficiaries, distributees, foundations, agents, employees, fiduciaries, partners, partnerships, general or limited partners or partnerships, joint ventures, member firms, limited liability companies, corporations, divisions, affiliates, associated entities, stockholders, principals, officers, directors, managing directors, members, managing members, managing agents, predecessors, predecessors-in-interest, successors, successors-in-interest, assigns, financial or investment advisors, advisors, consultants, investment bankers, entities providing any fairness opinion, underwriters, brokers, dealers, lenders, commercial bankers, attorneys (including all Plaintiff's counsel in the Action), counsel, personal or legal representatives, accountants, insurers, co-insurers, reinsurers, and associates.

f. "Released Claims" shall mean Plaintiff's Released Claims and Defendants' Released Claims.

g. "Releasing Parties" shall mean the Plaintiff's Releasees and Defendants' Releasees.

SETTLEMENT CONSIDERATION

2. The Company and Defendants agree that, for FY 2021 and beyond, to the extent DEPs are declared payable to any Company director, those DEPs will not be paid in cash, but instead will be paid via a reduction to the strike price of options that are issued to that director. Plaintiff, Defendants, and the Company acknowledge that this change to the treatment of DEPs provides an

economic benefit to the Company and its stockholders in the amount of \$23.8 million, and also acknowledge that Plaintiff and the Action were a substantial cause of the benefit. The Company agrees that an affidavit by the appropriate officer of the Company with knowledge attesting to the amount of the benefit substantially in the form attached hereto as Exhibit D shall be filed with the Court together with this stipulation.

3. The Charter of the Compensation Committee of the Board and other relevant organizational documents shall be amended to prohibit the use of overlapping metrics in the Company's long-term and short-term incentive plans for executive officers.

4. In FY 2022, the Company returned to its AOP vesting criteria for options granted in fiscal 2020, 2021, and 2022 and the Defendants shall take action to cause the Company's option plan to continue to use performance-based vesting criteria.

5. The Defendants shall take action to cause options granted pursuant to the Company's option plan to vest based only upon achieving the established performance targets for that current year. The Company will not make discretionary changes to those targets during the course of that year.

6. In August 2021, the Company determined to transition the position of Chairman of the Board to a non-executive position. The Company shall

take action to cause the position of Chairman of the Board to remain a non-executive position for three years. Thereafter, in the event the position of Chairman of the Board is to become an executive position, the Company will disclose the reasons therefor.

7. Defendants and the Company acknowledge that the above listed corporate governance enhancements are a substantial benefit to the Company and its stockholders and also acknowledge that Plaintiff and the Action were a substantial cause of the Company's adoption of, or agreement to adopt, these corporate governance enhancements.

RELEASE OF CLAIMS

8. Effective upon Final Court Approval (as defined below):

a. The Plaintiff's Releasees shall fully, finally, and forever release and discharge each and all of the Defendants' Releasees from any and all of Plaintiff's Released Claims.

b. The Defendants' Releasees shall fully, finally, and forever release and discharge each and all of the Plaintiff's Releasees from any and all of Defendants' Released Claims.

9. The contemplated releases given by the Releasing Parties extend to claims that the Releasing Parties did not know or suspect to exist at the time of the release, which if known, might have affected the decision to enter into this

release (“Unknown Claims”). The Releasing Parties shall be deemed to have waived any and all provisions, rights, and benefits conferred by any law of the United States, any law of any state, or principle of common law which governs or limits a person’s release of Unknown Claims to the fullest extent permitted by law. The Releases contained in this Settlement Agreement are not general releases. Nonetheless, the Releasing Parties shall be deemed to relinquish, to the full extent permitted by law, the provisions, rights, and benefits of Section 1542 of the California Civil Code, which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

10. The Releasing Parties shall also be deemed to have waived any and all provisions, rights, and benefits conferred by any law of any state of the United States or principle of common law, which is similar, comparable, or equivalent to California Civil Code Section 1542. The Releasing Parties acknowledge that they may discover facts in addition to or different from those that they now know or believe to be true with respect to the subject matter of the Released Claims, but that it is their intention to fully, finally, and forever settle and release any and all Released

Claims, known or unknown, suspected or unsuspected, which now exist or heretofore existed, from the beginning of time to the Effective Date (as defined below), without regard to the subsequent discovery or existence of such additional or different facts, to the fullest extent permitted by law.

11. The contemplated releases are not intended to release and shall not be deemed to release any rights or obligations of the Parties created by this Stipulation.

CONDITIONS OF THE SETTLEMENT

12. The Settlement was preceded by production to Plaintiff and his counsel of books and records pursuant to the 220 Demand and the organization and analysis by Plaintiff's counsel of public filings by TransDigm with the Securities and Exchange Commission and other public statements about TransDigm. Accordingly, Plaintiff and Plaintiff's counsel were sufficiently familiar with the circumstances and terms of the facts underlying the Action and the compensation of the Defendants and the Company's other directors and named executive officers in FY 2020 and FY 2021 in determining to enter into this Settlement.

13. This Stipulation shall be terminated, and shall be null and void and of no force and effect, unless otherwise agreed to by the Parties pursuant to the terms hereof, if (i) either Party exercises a right to terminate the Settlement pursuant to the terms of the Stipulation; or (ii) the Settlement does not obtain Final Court

Approval (as defined below). If this Stipulation is terminated, the Term Sheet and this Stipulation and the Settlement shall be void and of no effect, and the Term Sheet, and this Stipulation shall not be deemed to prejudice in any way the positions of any of the Settling Parties in the Action. In such event, and consistent with the applicable evidentiary rules, neither the Term Sheet, nor this Stipulation, nor their contents, nor the existence of either, shall be admissible in evidence or shall be referred to for any purpose in the Action or in any other proceeding, except in connection with any claim for breach of the Term Sheet or this Stipulation or as otherwise specifically provided herein.

14. The Term Sheet and Settlement shall be null and void and of no force and effect if the terms of the Settlement, except for the attorneys' fees proposal submitted in accordance with Section 21 of this Stipulation (the "Attorneys' Fees Proposal"), does not receive Final Court Approval (as defined below), in which case the Parties shall revert back to litigating the Action. For the avoidance of doubt, the Settling Parties agree that court approval of the Attorneys' Fees Proposal is not a condition precedent to the Settlement or Final Court Approval.

15. In the event that any final injunction, decision, order, judgment, determination or decree is entered or issued by any court or governmental entity prior to Final Court Approval (as defined below) of the Stipulation and the Settlement that would make consummation of the Settlement in accordance with the

terms of the Stipulation unlawful or that would restrain, prevent, enjoin, or otherwise prohibit consummation of the Settlement, the Settling Parties each reserve the right to withdraw from and to terminate the Settlement. In addition, in the event that any preliminary or temporary injunction, decision, order, determination, or decree (an “Interim Order”) is entered or issued by any court or governmental entity prior to Final Court Approval (as defined below) of the Stipulation and the Settlement that would restrain, prevent, enjoin, or otherwise prohibit consummation of the Settlement, then, notwithstanding anything herein to the contrary, the Settling Parties shall have no obligation to consummate the Settlement unless and until such Interim Order expires or is terminated or modified in a manner such that consummation of the Settlement in accordance with the terms of the Stipulation would no longer be restrained, prevented, enjoined, or otherwise prohibited.

16. The Settlement shall be conditional upon (i) entry of an Order and Judgment in the form attached as Exhibit C, which shall release the Released Claims and (ii) the Order and Judgment becoming Final (as defined below) (“Final Court Approval”).

17. Nothing in this Stipulation or the Settlement shall authorize, restrict, or limit the power and ability of the Board of TransDigm from making future grants of equity to any officer, director, or employee of the Company, or otherwise providing compensation to any officer, director, or employee of the Company,

including the Defendants, except as set forth in the corporate governance provisions hereof. All Parties reserve all rights with respect to any future awards of equity or other compensation to any officer, employee, or director of the Company.

SUBMISSION AND APPLICATION TO THE COURT

18. As soon as practicable upon execution of the Stipulation, Plaintiff's counsel shall submit the Stipulation together with its Exhibits to the Court and the Settling Parties shall apply jointly for entry of an order (the "Scheduling Order"), substantially in the form attached as Exhibit B, providing for, among other things: (i) approval of the form and content of the proposed Notice of the Settlement; (ii) staying all further proceedings in the Action, other than such proceedings as may be necessary to carry out the terms and conditions of the Settlement; (iii) barring and enjoining Plaintiff, and all Company Stockholders of the Company from commencing or prosecuting any action asserting either directly, derivatively or in any other capacity, any Released Claims and (iv) setting a date for the final settlement hearing (the "Settlement Hearing"). At the Settlement Hearing, the Parties shall jointly request that the Final Order and Judgment be entered substantially in the form attached as Exhibit C.

NOTICE

19. TransDigm shall be responsible for providing Notice of the Settlement to Company Stockholders in the form and manner directed by the Court

(when approved by the Court, the “Notice”), substantially in the form attached as Exhibit A. TransDigm or its insurer(s) shall cause to be paid all costs and expenses incurred in providing the Notice.

FINAL COURT APPROVAL

20. The “Effective Date” of the Settlement shall be the first date by which the Court has entered the Judgment and such Judgment has become Final. “Final” shall mean that (i) if no appeal is filed, the expiration date of the time for filing or noticing of any appeal of the Judgment; or (ii) if there is an appeal from the Judgment, the date of final dismissal or final affirmance of all such appeals. However, any appeal or proceeding seeking subsequent judicial review pertaining solely to an order issued with respect to attorneys’ fees or expenses shall not in any way delay or preclude the Judgment from becoming Final.

ATTORNEYS’ FEES AND EXPENSES

21. The Parties agree that Defendants or their representatives shall pay, subject to Court approval, \$2,800,000 to Plaintiffs’ Counsel for their attorneys’ fees and expenses (the “Fee and Expense Amount”).

22. The Fee and Expense Amount shall be paid into an escrow account controlled by Plaintiff’s Counsel within ten (10) business days after the Court enters an order awarding attorneys’ fees and expenses to Plaintiff’s Counsel, subject to Plaintiff’s Counsel’s timely provision, in writing, of the requisite payment

information, including wire instructions and a signed Form W-9 reflecting a valid taxpayer identification number for the account into which the Fee and Expense Amount is to be deposited. The Fee and Expense Amount shall be payable to Plaintiff's Counsel immediately thereafter notwithstanding the existence of any timely filed objections thereto, or potential for appeal therefrom, or collateral attack on the Settlement or any part thereof, or the non-occurrence of the Effective Date. In the event that (a) the Effective Date fails to occur for any reason, or (b) the order awarding the Fee and Expense Amount is disapproved, reduced, reversed, or otherwise modified by a final court order that is not subject to appeal or further review, then Plaintiff's Counsel shall, within ten (10) business days after Plaintiff's Counsel receives notice of any of the events described in (a) or (b) above, return to the escrow account the lesser of (i) the Fee and Expense Amount, or (ii) the difference between (x) the Fee and Expenses Amount as awarded by the Court and (y) any attorneys' fees and expenses ultimately and finally awarded on appeal, further proceedings on remand or otherwise. Such returned amount shall then be remitted to TransDigm and/or its insurers according to written instructions from the Company.

23. Except as provided in this Stipulation, the Defendants' Releasees shall bear no other expenses, costs, damages, or fees alleged or incurred by any of Plaintiff's Counsel, or by any of Plaintiff's attorneys, experts, advisors, agents, or

representatives in connection with the Settled Claims or the Settlement. Plaintiff Releases shall bear no expenses, costs, damages, or fees alleged or incurred by any Defendant, or by any Party's attorneys, experts, advisors, agents, or representatives in connection with the Settled Claims or the Settlement.

24. Plaintiff's Counsel intends to apply to the Court for an incentive fee award to Plaintiff in an amount not to exceed \$4,000, which amount shall be paid from any amount awarded by the Court from the Fee and Expense Amount. The Defendants shall have no input into or responsibility or liability for the allocation by Plaintiff's Counsel of any Fee and Expense Amount.

TERMINATION

25. In the event that the Settlement is terminated pursuant to the terms of the Stipulation or the Effective Date of the Settlement otherwise fails to occur, then: (i) the Term Sheet, this Stipulation, and the Settlement, including, but not limited to, the releases under Paragraphs 1.a and 1.b above, shall be null and void; (ii) the fact of the Settlement shall not be admissible in any trial of the Action; (iii) the Settling Parties shall revert back to litigating the Action; and (iv) the Settling Parties shall proceed in all respects as if the Term Sheet and this Stipulation and any related orders had not been entered.

ENTIRE AGREEMENT

26. This Stipulation and the Exhibits constitute the entire agreement among the Parties with respect to the subject matter hereof and supersede all written or oral communications, agreements or understandings that may have existed prior to the execution of this Stipulation, including the Term Sheet. No representations, warranties or statements of any nature whatsoever, whether written or oral, have been made to or relied upon by any Party concerning this Stipulation or its Exhibits, other than the representations, warranties and covenants expressly set forth in such documents.

CONSTRUCTION

27. This Stipulation shall be construed in all respects as jointly drafted and shall not be construed, in any way, against any Party on the ground that the Party or its counsel drafted this Stipulation.

28. Headings have been inserted for convenience only and will not be used in determining the terms of this Stipulation.

GOVERNING LAW; CONTINUING JURISDICTION

29. This Stipulation and the Settlement shall be governed by and construed in accordance with the laws of the State of Delaware without regard to Delaware's principles governing choice of law. The Settling Parties irrevocably and unconditionally (i) consent to submit to the sole and exclusive jurisdiction of the Court of Chancery of the State of Delaware for any litigation arising out of or relating

in any way to the Stipulation or the Settlement; (ii) agree that any dispute arising out of or relating in any way to the Stipulation or the Settlement shall not be litigated or otherwise pursued in any forum or venue other than any such court; (iii) waive any objection to the laying of venue of any such litigation in any such court; (iv) agree not to plead or claim in any such court that such litigation brought therein has been brought in any inconvenient forum; and (v) expressly waive any right to demand a jury trial as to any such dispute.

AMENDMENTS

30. This Stipulation may be modified or amended only by a writing, signed by the Settling Parties (or their duly authorized counsel), that refers specifically to this Stipulation.

SETTLEMENT NOT AN ADMISSION

31. The provisions contained in the Term Sheet, the Settlement or this Stipulation shall not be deemed a presumption, concession, or admission by any Settling Party to this Stipulation of any fault, liability, wrongdoing, or any infirmity or weakness of any claim or defense, as to any facts or claims (including the Settled Claims) that have been or might be alleged or asserted in the Action, or any other action or proceeding that has been, will be, or could be brought, and shall not be interpreted, construed, deemed, invoked, offered, or received in evidence or otherwise used by any person in the Action, or in any other action or proceeding, whether civil,

criminal, or administrative, for any purpose other than as permitted by applicable court rules and rules of evidence.

REASONABLE BEST EFFORTS

32. The Settling Parties and their respective counsel agree to cooperate fully with one another in seeking the Court's approval of this Stipulation and the Settlement, and to use their reasonable best efforts to effect, take or cause to be taken all actions, and to do, or cause to be done, all things reasonably necessary, proper or advisable under applicable laws, regulations and agreements to consummate and make effective, as promptly as practicable, this Stipulation and the Settlement (including but not limited to, using their best efforts to resolve any objections raised to the Settlement) and the dismissal of the Action with prejudice and without costs, fees or expenses to any party (except as provided for by Paragraphs 21-22).

BINDING EFFECT

33. This Stipulation shall be binding upon and inure to the benefit of the Parties and their respective agents, executors, heirs, successors, and assigns.

COUNTERPARTS

34. This Stipulation may be executed in one or more counterparts, each of which when so executed and delivered shall be deemed to be an original but all of which together shall constitute one and the same instrument.

AUTHORITY

35. This Stipulation will be executed by counsel for each of the Settling Parties, each of whom represent and warrant that they have the authority from their client(s) to enter into this Stipulation and bind their clients hereto.

OWNERSHIP OF SHARES; NON-ASSIGNMENT OF CLAIMS

36. Plaintiff represents and warrants that he has been a stockholder of TransDigm since January 1, 2020, to the present, that as of the date hereof he continues to hold stock in TransDigm and that he shall continue to hold such stock in TransDigm through the Effective Date. Plaintiff further represents that he has not assigned the claims asserted in the Action, or any of the Plaintiff's Released Claims, to any person.

NO WAIVER

37. Any failure by any Party to insist upon the strict performance by any other Party of any of the provisions of this Stipulation shall not be deemed a waiver of any of the provisions hereof, and such Party, notwithstanding such failure, shall have the right thereafter to insist on the strict performance of any and all of the provisions of this Stipulation to be performed by such other Party. No waiver, express or implied, by any Party of any breach or default in the performance by the other Party of its obligations under this Stipulation shall be deemed or construed to be a waiver of any other breach, whether prior, subsequent, or contemporaneous, under this Stipulation.

IN WITNESS WHEREOF, the undersigned Parties, by and through their respective counsel, have executed this Stipulation effective as of the date set forth above.

FARNAN LLP

MORRIS, NICHOLS, ARSHT & TUNNELL LLP

/s/ Brian E. Farnan
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IT IS SO ORDERED this ____ day of _____, 2022.

The Honorable Lori W. Will



EXHIBIT A

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

MATTHEW SCIABACUCCHI, Derivatively)
on Behalf of TRANSDIGM GROUP)
INCORPORATED)

Plaintiff,)

v.)

W. NICHOLAS HOWLEY, KEVIN STEIN,)
DAVID BARR, WILLIAM DRIES, MERVIN)
DUNN, MICHAEL S. GRAFF, SEAN P.)
HENNESSY, RAYMOND LAUBENTHAL,)
GARY MCCULLOUGH, MICHELE)
SANTANA, ROBERT J. SMALL, and JOHN)
STAER,)

C.A. No. 2021-0938-LWW

Individual Defendants)

-and-)

TRANSDIGM GROUP INCORPORATED, a)
Delaware corporation,)

Nominal Defendant.)

**NOTICE OF PENDENCY AND PROPOSED
SETTLEMENT OF DERIVATIVE ACTION**

TO: ALL RECORD AND BENEFICIAL HOLDERS OF COMMON STOCK OF TRANSDIGM GROUP INC. (“TRANSDIGM” OR THE “COMPANY”) AS OF THE CLOSE OF BUSINESS ON AUGUST 19, 2022 (THE “COMPANY STOCKHOLDERS”).

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. THIS NOTICE RELATES TO A PROPOSED SETTLEMENT OF A LAWSUIT AND CONTAINS IMPORTANT INFORMATION. YOUR RIGHTS WILL BE AFFECTED BY THE LEGAL PROCEEDINGS IN THIS LITIGATION. IF THE COURT APPROVES THE PROPOSED SETTLEMENT, YOU WILL BE BARRED FROM CONTESTING THE FAIRNESS OF THE PROPOSED SETTLEMENT, OR PURSUING THE RELEASED CLAIMS (AS DEFINED BELOW).

BECAUSE THIS ACTION WAS BROUGHT AS A DERIVATIVE ACTION ON BEHALF OF AND FOR THE BENEFIT OF TRANSDIGM, THE BENEFITS FROM THE SETTLEMENT WILL GO TO TRANSDIGM. INDIVIDUAL COMPANY STOCKHOLDERS WILL NOT RECEIVE ANY DIRECT

PAYMENT FROM THE SETTLEMENT. IF YOU DO NOT OBJECT TO THE TERMS OF THE PROPOSED SETTLEMENT DESCRIBED IN THIS NOTICE, YOU DO NOT NEED TO TAKE ANY ACTION.

The purpose of this Notice is to inform you of a proposed settlement (the “Settlement”) of the above-captioned action (the “Action”) pending before the Court of Chancery of the State of Delaware (the “Court”) and of a hearing to be held before the Court on November 10, 2022, at 11:00 a.m. (the “Settlement Hearing”). The purpose of the Settlement Hearing is to: (a) determine whether the proposed Settlement, on the terms and conditions provided for in the Stipulation, is fair, reasonable and adequate and in the best interests of TransDigm and the Company Stockholders; (b) determine whether the Court should enter an Order and Final Judgment as provided in the Stipulation and releasing the Plaintiff’s Released Claims and Defendants’ Released Claims (defined below); (c) hear the application by Plaintiff’s counsel for an award of attorneys’ fees and reimbursement of litigation expenses and Plaintiff’s incentive award; (d) hear and determine any objections to the Settlement or the application by Plaintiff’s Counsel for an award of attorneys’ fees and expenses; and (e) rule on such other matters as the Court may deem appropriate.

If you are a Company Stockholder, this Notice will inform you of how, if you so choose, you may enter your appearance in the Action or object to the proposed Settlement or the attorneys’ fees in connection with the proposed settlement and have your objection heard at the Settlement Hearing.

THE FOLLOWING RECITATION DOES NOT CONSTITUTE FINDINGS OF THE COURT AND SHOULD NOT BE UNDERSTOOD AS AN EXPRESSION OF ANY OPINION OF THE COURT AS TO THE MERITS OF ANY CLAIMS OR DEFENSES BY ANY OF THE PARTIES. IT IS BASED ON STATEMENTS OF THE PARTIES AND IS SENT FOR THE SOLE PURPOSE OF INFORMING YOU OF THE EXISTENCE OF THIS ACTION AND OF A HEARING ON A PROPOSED SETTLEMENT SO THAT YOU MAY MAKE APPROPRIATE DECISIONS AS TO STEPS THAT YOU MAY, OR MAY NOT, WISH TO TAKE IN RELATION TO THIS ACTION.

BACKGROUND AND DESCRIPTION OF THE ACTION

On November 1, 2021, Plaintiff Matthew Sciabacucchi (“Plaintiff”), on behalf of TransDigm and its stockholders, filed a Verified Stockholder Derivative Complaint (the “Complaint”) against W. Nicholas Howley, Kevin Stein, David Barr, William Dries, Mervin Dunn, Michael S. Graff, Sean P. Hennessy, Raymond Laubenthal, Gary McCullough, Michele Santana, Robert J. Small and John Staer (collectively the “Defendants”), and Nominal Defendant TransDigm Group Incorporated (“TransDigm” or the “Company,” and collectively with Plaintiff and Defendants, the “Parties”).

The Complaint purports to assert derivative claims against the Defendants challenging compensation awarded to executive directors¹ and non-employee directors² in 2020 as excessive and unfair. The Complaint specifically asserts that unfair and excessive compensation was awarded to the Defendants in the form of (1) option grants that vested based on annual operating performance (“AOP”)

¹ Howley and Stein are executive director Defendants.

² Barr, Dries, Dunn, Graff, Hennessy, Laubenthal, McCullough, Santana, Small and Staer are non-employee director Defendants.

targets, (2) vesting of unvested options despite non-achievement of requisite AOP targets; and (3) dividend equivalent payments (“DEPs”) paid on vested but unexercised options held by Defendants without an articulated Board plan or a stockholder approved plan in place (collectively the “Awards”). The Complaint further alleges that Defendants breached their fiduciary duties by engaging in a *quid pro quo* scheme in which certain non-employee director Defendants awarded Howley and Stein excessive compensation so that they would not object to the non-employee director Defendants’ own excessive compensation, committed waste of corporate assets, and unjustly enriched themselves in approving the compensation. The Complaint also alleges that the compensation received by Howley, the Company’s executive chairman until August 2021, was excessive in part because his compensation was over three times the amount Stein, the Company’s CEO, received in compensation for FY 2020 and Howley’s compensation was excluded from the compensation consultant’s report.

Before bringing his Complaint, Plaintiff sought books and records of TransDigm concerning the Awards (the “220 Demand”). In response to that request, TransDigm produced to Plaintiff approximately seven hundred pages of documents, which Plaintiff’s counsel reviewed and utilized in drafting the Complaint.

William Dries passed away on December 2, 2020, prior to the filing of the Action. On December 17, 2021, Plaintiff filed a notice of dismissal without prejudice of Dries.

HOW THE SETTLEMENT WAS REACHED

On June 20, 2022, after extensive arm’s-length negotiations, the parties reached an agreement in principle and executed a term sheet providing for the settlement of Plaintiff’s claims against Defendants on the terms set forth therein. On August 19, 2022, the parties filed a Stipulation of Settlement (“Stipulation”) reflecting the terms of the Parties’ settlement of this Action (the “Settlement”).

The Settlement reflects the results of the parties’ negotiations, agreement as to which was only reached after arm’s-length negotiations between the Settling Parties who were all represented by counsel with extensive experience and expertise in stockholder derivative litigation.

Each of the Defendants has denied, and continues to deny, that he or she has committed any breach of duty, breached any other law, or engaged in any of the wrongful acts alleged in the Action, expressly maintains that he or she diligently and scrupulously complied with his or her fiduciary and other legal duties, to the extent such duties exist, and further believes that the Action is without merit, and is entering into this Stipulation and the Settlement solely to eliminate the burden, expense, and uncertainties inherent in further litigation.

Plaintiff commenced the Action in good faith and continues to believe that his derivative claims have legal merit, and the entry by Plaintiff into this Stipulation is not an admission as to a lack of any merit of any derivative claims asserted or that could be asserted in the Action. Plaintiff has concluded that the Settlement is fair and adequate, and that it is appropriate and reasonable to pursue the Settlement based on the terms and procedures outlined herein.

The Company and its Board of Directors (the “Board”) have determined that a settlement pursuant to the terms set forth in this Stipulation is fair and reasonable, and is advisable and in the best interests of, the Company and its stockholders.

The parties did not discuss or begin negotiating the amount of any petition by Plaintiff's counsel for an award of attorneys' fees and expenses until after they had reached agreement on all material terms of the Settlement.

SETTLEMENT TERMS

In consideration for the full settlement and release of all Released Claims (as defined below) and the dismissal with prejudice of the Action, Defendants have agreed that, to the extent DEPs are declared payable to any Company director, those DEPs will not be paid in cash, but instead will be paid via a reduction to the strike price of options that are issued to that director. The Company, Defendants, and Plaintiff acknowledge that this change to the treatment of DEPs provides an economic benefit to the Company and its stockholders in the amount of \$23.8 million. In further consideration for the settlement and release of all Released Claims (as defined below) and the dismissal with prejudice of the Action, Defendants have also agreed to implement a series of corporate governance enhancements set forth below. The Company and Defendants acknowledge that Plaintiff and the commencement of this Action were a substantial cause of the economic benefit to the Company and its stockholders and the following governance reforms:

Compensation Committee Charter.

- a. The Charter of the Compensation Committee of the Board and other relevant organizational documents shall be amended to prohibit the use of overlapping metrics in the Company's long-term and short-term incentive plans for executive officers.

Company's Option Plan.

- a. In FY 2022, the Company returned to its AOP vesting criteria for options granted in fiscal 2020, 2021 and 2022.
- b. The Defendants will take action to cause the Company's option plan to use performance-based vesting criteria.
- c. The Defendants will take action to cause options granted to vest based only upon achieving the established performance targets for that current year. The Company will not make discretionary changes to those targets during the course of that year.

Chairman of the Board.

- a. In August 2021, the Company determined to transition the position of Chairman of the Board to a non-executive position.
- b. The Company will take action to cause the position of Chairman of the Board to remain a non-executive position for three years. Thereafter, in the event the position of Chairman of the Board is to become an executive position, the Company will disclose the reasons therefor.

THIS NOTICE CONTAINS ONLY A SUMMARY OF THE TERMS OF THE SETTLEMENT AND DOES NOT PURPORT TO BE A COMPREHENSIVE DESCRIPTION OF THE SETTLEMENT'S TERMS. THE COMPLETE TERMS AND CONDITIONS OF THE SETTLEMENT ARE SET FORTH IN DETAIL IN THE STIPULATION, WHICH HAS BEEN FILED WITH THE COURT.

REASONS FOR SETTLEMENT

Plaintiff and Plaintiff's counsel thoroughly considered the facts and law underlying the Action. While Plaintiff and Plaintiff's counsel believe that the derivative claims asserted in the Action continue to have legal merit, in light of the uncertainty and risks inherent in any litigation, and the substantial benefits the Settlement confers on the Company and the Company Stockholders, Plaintiff and Plaintiff's counsel have determined that the proposed Settlement is fair, reasonable, adequate, and in the best interests of the Company and the Company Stockholders.

Defendants are entering into the Settlement solely because it will eliminate the distraction, burden, expense, and uncertainty of further protracted litigation. Defendants deny, and continue to deny, the principal facts alleged in the Complaint, and specifically deny that any of them has committed or threatened to commit any violations of law, breaches of duty, or other wrongdoing toward the Company, Plaintiff, or anyone else concerning any of the claims or requests for relief set forth in the Complaint. Defendants expressly deny that Plaintiff have asserted any valid claims as to any of them, and expressly deny any and all allegations of fault, liability, wrongdoing, or damages.

This Settlement shall in no event be construed or deemed to be evidence of the factual or legal merit of any of the Released Claims (defined below) or as an admission, in the Action or any other litigation, whether civil, criminal, or administrative, that the Action has merit.

THE SETTLEMENT HEARING

The Settlement Hearing shall be held on November 10, 2022, at 11:00 a.m., before the Delaware Court of Chancery, 500 North King Street, Wilmington, DE 19801 to: (a) determine whether the proposed Settlement, on the terms and conditions provided for in the Stipulation, is fair, reasonable and adequate and in the best interests of TransDigm and the Company Stockholders; (b) determine whether the Court should enter an Order and Final Judgment as provided in the Stipulation and releasing the Plaintiff's Released Claims and Defendants' Released Claims (defined below); (c) hear the application by Plaintiff's counsel for an award of attorneys' fees and reimbursement of litigation expenses; and (d) rule on such other matters as the Court may deem appropriate.

The Court reserves the right to adjourn the Settlement Hearing or any adjournment thereof, including the consideration of the application for attorneys' fees and expenses, without further notice of any kind to the Company Stockholders, other than oral announcement at the Settlement Hearing or any adjournment thereof.

The Court reserves the right to approve the Settlement at or after the Settlement Hearing with such modification(s) as may be consented to by the Parties to the Stipulation and without further notice to the Company Stockholders.

The Court reserves the right to hold the Settlement Hearing telephonically or via video conference without further notice.

RIGHT TO APPEAR AND OBJECT

Any Company Stockholder who continues to own shares of the Company common stock as of the date of the Settlement Hearing who objects to the Settlement, the Order and Final Judgment to be entered in the Action, and/or Plaintiff’s counsel’s application for attorneys’ fees and expenses, or who otherwise wishes to be heard, may appear in person or by such member’s attorney at the Settlement Hearing and present evidence or argument that may be proper and relevant; provided, however, that, except for good cause shown, no person shall be heard and no papers, briefs, pleadings or other documents submitted by any person shall be considered by the Court unless not later than fourteen (14) calendar days prior to the Settlement Hearing such person files with the Court and serves upon counsel listed below: (a) a written notice of intention to appear; (b) a statement of such person’s objections to any matters before the Court; and (c) the grounds for such objections and the reasons that such person desires to appear and be heard, documentation evidencing ownership of TransDigm stock and any other documents or writings such person desires the Court to consider. Such filings shall be served by e-filing, hand delivery or overnight mail upon the following counsel:

FARNAN LLP

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Michael J. Farnan
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Wilmington, DE 19801
(302) 777-0300
Attorneys for Plaintiff

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OF COUNSEL

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OF COUNSEL:

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(212) 403-1000

Unless the Court orders otherwise, any person or entity who does not make his, her or its objection in the manner provided herein shall: (a) be deemed to have waived and forfeited his, her or its right to object to any aspect of the Settlement or any award of attorneys’ fees or expenses; (b) be barred and foreclosed from objecting to the fairness, reasonableness or adequacy of the Settlement, the Order and Final Judgment to be entered approving the Settlement, or any award of attorneys’ fees or expenses; and (c) be deemed to have waived and barred and foreclosed from being heard with respect to any matters concerning the Settlement or any award of attorneys’ fees or expenses.

THE ORDER AND FINAL JUDGMENT

If the Court determines that the Settlement, as provided for in the Stipulation, is fair, reasonable, adequate and in the best interests of the TransDigm and its stockholders, the parties to the Action will ask the Court to enter the Order and Final Judgment, which will, among other things:

- a. approve the Settlement as fair, reasonable, adequate and in the best interests TransDigm and its stockholders and direct consummation of the Settlement in accordance with its terms and conditions;
- b. determine that the requirements of the rules of the Court and due process have been satisfied in connection with this Notice; and
- c. dismiss the Action with prejudice on the merits and grant the releases more fully described below under the heading “Releases” in accordance with the terms and conditions of the Stipulation;

RELEASES

The Stipulation provides that upon Final Court Approval (as defined below) of the Settlement, the following releases will occur:

Release of Claims by Plaintiff and Company Stockholders: The Plaintiff’s Releasees shall fully, finally, and forever release and discharge each and all of the Defendants’ Releasees from any and all of Plaintiff’s Released Claims.

“Final” shall mean that (i) if no appeal is filed, the expiration date of the time for filing or noticing of any appeal of the Judgment; or (ii) if there is an appeal from the Judgment, the date of final dismissal or final affirmance of all such appeals. However, any appeal or proceeding seeking subsequent judicial review pertaining solely to an order issued with respect to attorneys’ fees or expenses shall not in any way delay or preclude the Judgment from becoming Final.

“Final Court Approval” shall mean (i) entry of an Order and Judgment in the form attached as Exhibit C to the Stipulation, which shall release the Released Claims and (ii) the Order and Judgment becoming Final.

“Defendants’ Releasees” shall mean each of Defendants and each of their and TransDigm’s respective parents, subsidiaries, affiliates and controlling persons, and any current or former officer or director of any of the foregoing, and each of their respective past, present, or future family members, spouses, heirs, trusts, trustees, executors, estates, administrators, beneficiaries, distributees, foundations, agents, employees, fiduciaries, partners, partnerships, general or limited partners or partnerships, joint ventures, member firms, limited liability companies, corporations, divisions, affiliates, associated entities, stockholders, principals, officers, directors, managing directors, members, managing members, managing agents, predecessors, predecessors-in-interest, successors, successors-in-interest, assigns, financial or investment advisors, advisors, consultants, investment bankers, entities providing any fairness opinion, underwriters, brokers, dealers, lenders, commercial bankers, attorneys (including all Defendants’ counsel in this action), counsel, personal or legal representatives, accountants, insurers, co-insurers, reinsurers, and associates.

“Plaintiff’s Released Claims” shall mean any and all manner of claims, demands, rights, liabilities, losses, obligations, duties, damages, costs, debts, expenses, interest, penalties, sanctions, fees, attorneys’ fees, actions, potential actions, causes of action, suits, agreements, judgments, decrees, matters, issues and controversies of any kind, nature, or description whatsoever, whether known or unknown, disclosed or undisclosed, accrued or unaccrued, apparent or not apparent, foreseen or unforeseen, matured or not matured, suspected or unsuspected, liquidated or not liquidated, fixed or contingent, including Unknown Claims (as defined herein), whether based on state, local, foreign, federal, statutory, regulatory, common, or other law or rule, that are, have been, could have been, could now be, or in the future could, can, or might be asserted through the date of the Settlement Hearing, in the Action or in any other court, tribunal, or proceeding by Plaintiff, any other TransDigm stockholder, individually or derivatively on behalf TransDigm, or by TransDigm directly, against any of the Defendants’ Releasees that are based upon, arise out of, relate in any way to, or involve, directly or indirectly, the actions, transactions, occurrences, statements, representations, misrepresentations, omissions, allegations, disclosures, facts, practices, events, claims, or any other matters, things, or causes whatsoever, or any series thereof, that: (a) were alleged, asserted, set forth, claimed, embraced, involved, or referred to in, or related to, in each case, the Action, or (b) which could have been asserted against any of the Releasing Parties regarding (i) the compensation paid to the directors or named executive officers of the Company in Fiscal Year (“FY”) 2020 and FY 2021; (ii) the approval or receipt of compensation to the directors or named executive officers of the Company in FY 2020 or FY 2021; (iii) any disclosures made with respect to the foregoing; and (iv) any operative fact, allegations, claims, or prayers for relief made in the Action. Plaintiff’s Released Claims exclude claims relating to the enforcement of the Settlement.

“Plaintiff’s Releasees” shall mean each of (i) Plaintiff (both individually and derivatively on behalf of TransDigm); (ii) each and every Company Stockholder, and (iii) TransDigm, and each of their respective parents, subsidiaries, affiliates and controlling persons, and any current or former officer or director of any of the foregoing, and each of their respective past, present, or future family members, spouses, heirs, trusts, trustees, executors, estates, administrators, beneficiaries, distributees, foundations, agents, employees, fiduciaries, partners, partnerships, general or limited partners or partnerships, joint ventures, member firms, limited liability companies, corporations, divisions, affiliates, associated entities, stockholders, principals, officers, directors, managing directors, members, managing members, managing agents, predecessors, predecessors-in-interest, successors, successors-in-interest, assigns, financial or investment advisors, advisors, consultants, investment bankers, entities providing any fairness opinion, underwriters, brokers, dealers, lenders, commercial bankers, attorneys (including all Plaintiff’s counsel in the Action), counsel, personal or legal representatives, accountants, insurers, co-insurers, reinsurers, and associates.

Release of Claims by Defendants and TransDigm: The Defendants’ Releasees shall fully, finally, and forever release and discharge each and all of the Plaintiff’s Releasees from any and all of Defendants’ Released Claim.

“Defendants’ Released Claims” shall mean any and all manner of claims, demands, rights, liabilities, losses, obligations, duties, damages, costs, debts, expenses, interest, penalties, sanctions, fees, attorneys’ fees, actions, potential actions, causes of action, suits, agreements, judgments, decrees, matters, issues and controversies of any kind, nature, or description whatsoever, whether known or unknown, disclosed or undisclosed, accrued or unaccrued, apparent or not apparent, foreseen or unforeseen, matured or not matured, suspected or unsuspected, liquidated or not liquidated, fixed or contingent, including Unknown Claims (as defined herein), whether based on state, local, foreign, federal, statutory, regulatory,

common, or other law or rule, that are, have been, could have been, could now be, or in the future could, can, or might be asserted through the date of the Settlement Hearing, in the Action or in any other court, tribunal, or proceeding by Defendants' Releasees against any of the Plaintiff's Releasees that are based upon, arise out of, relate in any way to, or involve, directly or indirectly, the actions, transactions, occurrences, statements, representations, misrepresentations, omissions, allegations, disclosures, facts, practices, events, claims, or any other matters, things, or causes whatsoever, or any series thereof, that: (a) were alleged, asserted, set forth, claimed, embraced, involved, or referred to in, or related to, in each case, the Action, or (b) which could have been asserted against any of the Defendants' Releasees regarding (i) the compensation paid to the directors or named executive officers of the Company in Fiscal Year ("FY") 2020 and FY 2021; (ii) the approval or receipt of compensation to the directors or named executive officers of the Company in FY 2020 or FY 2021; (iii) any disclosures made with respect to the foregoing; and (iv) any operative fact, allegations, claims, or prayers for relief made in the Action, except for claims relating to the enforcement of the Settlement.

The Defendants' Released Claims and the Plaintiff's Released Claims are referred to collectively as the "Released Claims."

Releases Include Unknown Claims.

The Settlement is intended to extinguish all the Released Claims, and consistent with such intention, upon Final Approval of the Settlement, the Parties shall waive and relinquish to the fullest extent permitted by law, the provisions, rights and benefits of any state, federal or foreign law or principle of common law, which may have the effect of limiting the release set forth in the Stipulation.

The contemplated releases given by the parties granting the release (the "Releasing Parties") extend to claims that the Releasing Parties did not know or suspect to exist at the time of the release, which if known, might have affected the decision to enter into this release ("Unknown Claims"). The Releasing Parties shall be deemed to have waived any and all provisions, rights, and benefits conferred by any law of the United States, any law of any state, or principle of common law which governs or limits a person's release of unknown claims to the fullest extent permitted by law. The Releases contained in this Settlement Agreement are not general releases. Nonetheless, the Releasing Parties shall be deemed to relinquish, to the full extent permitted by law, the provisions, rights, and benefits of Section 1542 of the California Civil Code, which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

APPLICATION FOR ATTORNEYS' FEES AND EXPENSES AND SERVICE AWARD

Defendants acknowledge that Plaintiff is entitled to reasonable attorneys' fees and expenses for the benefits obtained for the Company as a result of this litigation and the Settlement. Subject to the terms and conditions of the Stipulation and any Order of the Court, Plaintiff may apply to the Court for an

award of attorneys' fees and expenses to Plaintiff's counsel for up to \$2.8 million ("Fee Application") and a service award to Plaintiff not to exceed \$4,000 to be paid out of any award of attorneys' fees and expenses. Within ten (10) business days of the final approval of the Settlement (as defined in the Stipulation), Defendants or their representatives shall cause to be paid on Defendants' behalf to Plaintiff's counsel any attorneys' fees and expenses that are awarded by the Court.

**NOTICE TO PERSONS OR ENTITIES THAT HOLD OWNERSHIP ON BEHALF OF
OTHERS**

Brokerage firms, banks and/or other persons or entities who hold shares of the common stock of TransDigm for the benefit of others are requested to promptly send this Notice to all of their respective beneficial owners. If additional copies of the Notice are needed for forwarding to such beneficial owners, any requests for such copies may be made to:

John P. DiTomo
Morris Nichols Arsht & Tunnell LLP
1201 North Market Street, 16th Floor
Wilmington, Delaware 19899
(302) 658-9200
jditomo@morrisnichols.com
*Attorney for Defendants and
the Company*

SCOPE OF THIS NOTICE AND ADDITIONAL INFORMATION

The foregoing description of the Settlement Hearing, the Action, the terms of the proposed Settlement and other matters described herein do not purport to be comprehensive. Accordingly, Company Stockholders are referred to the documents filed with the Court in the Action. **PLEASE DO NOT WRITE OR CALL THE COURT.**

Inquiries or comments about the Settlement may be directed to the attention of Plaintiff's counsel as follows:

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(302) 777-0300
Attorneys for Plaintiff

OF COUNSEL

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55 Broadway, 10th Floor
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(212) 363-7500

Dated: _____, 2022

BY ORDER OF THE COURT OF CHANCERY OF THE STATE OF DELAWARE



EXHIBIT

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

MATTHEW SCIABACUCCHI,)
Derivatively on Behalf of TRANSDIGM)
GROUP INCORPORATED)

Plaintiff,)

v.)

W. NICHOLAS HOWLEY, KEVIN)
STEIN, DAVID BARR, WILLIAM)
DRIES, MERVIN DUNN, MICHAEL)
S. GRAFF, SEAN P. HENNESSY,)
RAYMOND LAUBENTHAL, GARY)
MCCULLOUGH, MICHELE)
SANTANA, ROBERT J. SMALL, and)
JOHN STAER,)

C.A. No. 2021-0938-LWW

Individual Defendants)

-and-)

TRANSDIGM GROUP)
INCORPORATED, a Delaware)
corporation,)

Nominal Defendant.)

SCHEDULING ORDER

WHEREAS, the Parties having applied, pursuant to Court of Chancery Rule 23.1, for an Order approving the proposed Settlement reached in the above-captioned derivative action (the “Action”), in accordance with the Stipulation and Agreement of Compromise, Settlement, and Release dated as of August 19, 2022

(the “Stipulation”), which provides for the dismissal of the Action with prejudice upon the terms and conditions set forth in the Stipulation; and

WHEREAS, the Court having read and considered the Stipulation and accompanying documents; the Stipulation being sufficient to warrant notice to Company Stockholders; and all Parties having consented to entry of this Order;

NOW, THEREFORE, upon application of the Parties, **IT IS HEREBY ORDERED** this ____ day of _____, 2022:

1. Except for terms defined herein, the capitalized terms used herein shall have the same meanings as they have in the Stipulation.

2. A hearing (the “Settlement Hearing”) shall be held before the Court of Chancery on November 10, 2022, at 11:00 a.m., at the Court of Chancery, Leonard L. Williams Justice Center, 500 N. King Street, Wilmington, DE 19801, to: (a) determine whether the Settlement should be approved by the Court as fair, reasonable, adequate, and in the best interests of TransDigm and its stockholders; (b) determine whether the Court should enter an Order and Final Judgment, substantially in the form attached as Exhibit C to the Stipulation, dismissing the Action with prejudice, and settling, releasing, and enjoining prosecution of any and all of the Released Claims; (c) consider the application by Plaintiff’s Counsel for an award of attorneys’ fees and expenses and Plaintiff’s incentive award; (d) hear and determine any objections to the Settlement or the application by Plaintiff’s Counsel

for an award of attorneys' fees and expenses; and (e) rule on such other matters as the Court may deem appropriate.

3. The Court may adjourn the Settlement Hearing and approve the proposed Settlement with such modifications as the Parties may agree to without further notice to Company Stockholders.

4. The Court (a) approves the form, content, and requirements of the Notice attached as Exhibit C to the Stipulation; and (b) finds that the form and manner of the notice specified herein constitutes due and sufficient notice of the Settlement Hearing, and all matters relating to the Settlement, to all persons or entities entitled to receive such notice, and fully satisfies the requirements of Court of Chancery Rule 23.1 and due process.

5. No later than fourteen (14) business days after the date of entry of this Order (the "Notice Date"), the Company shall commence mailing of the Notice to TransDigm stockholders who were stockholders at the time of entry of the Scheduling Order. All stockholders of record who were not also the beneficial owners of the shares of TransDigm common stock held by them of record shall be requested to forward the Notice to such beneficial owners of those shares. No later than five (5) days after the entry of this Order, TransDigm shall also file with the Securities Exchange Commission a Form 8-K announcing the proposed settlement and providing information to stockholders enabling them to access the Notice on the

Company's website. TransDigm shall pay or cause to be paid any and all costs, fees, and expenses related to providing notice of the proposed Settlement ("Notice Costs") irrespective of whether the Court approves the Settlement, and in no event shall Plaintiff or Plaintiff's Counsel be responsible for any Notice Costs.

6. No later than ten (10) business days before the Settlement Hearing, TransDigm's counsel shall file an affidavit attesting to compliance with the notice provisions set forth in this Order.

7. Any Company Stockholder who continues to own shares of Company common stock as of the date of the Settlement Hearing who objects to the Settlement and/or Plaintiff's counsel's application for attorneys' fees and expenses, or who otherwise wishes to be heard, may appear personally or through his, her, or its attorney at the Settlement Hearing and present evidence or argument that may be proper and relevant; provided, however, that no such person other than the Plaintiff, the Defendants, the Company, and their respective counsel in the Action shall be heard, and no papers, briefs, pleadings or other documents submitted by any such person other than the Plaintiff, the Defendants, the Company, and their respective counsel in the Action shall be received and considered by the Court unless no later than fourteen (14) calendar days prior to the Settlement Hearing, such person files with the Register in Chancery, the Court of Chancery, 500 North King Street, Wilmington, Delaware, 19801, the following: (i) a written and signed notice of

intention to appear that states the name, address and telephone number of the objector and, if represented, his, her, or its counsel; (ii) proof that the objector owned shares of Company common stock as of the date of entry of the Scheduling Order and continues to own such shares; (iii) a written detailed statement of the person's objection to any matter before the Court; and (iv) the specific grounds therefor or the reasons why such person desires to appear and to be heard, as well as all documents and writings which such person desires the Court to consider, including any legal and evidentiary support. Any such filings with the Court shall also be served simultaneously upon each of the following counsel by e-filing, hand delivery or overnight delivery such that they are received no later than fourteen (14) calendar days prior to the Settlement Hearing:

MORRIS NICHOLS ARSHT
& TUNNELL

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OF COUNSEL:

Gregory Nespole
LEVY & KORSINKY LLP
55 Broadway, 10th Floor
New York, NY 10006
(212) 363-7500

*Attorney for Plaintiff Matthew
Sciabacucchi*

8. Unless the Court orders otherwise, any person or entity who does not make his, her or its objection in the manner provided herein shall: (a) be deemed to have waived and forfeited his, her or its right to object to any aspect of the proposed Settlement or Plaintiff's counsel's application for attorneys' fees and expenses; (b) be barred and foreclosed from objecting to the fairness, reasonableness or adequacy

of the Settlement, the Order and Final Judgment to be entered approving the Settlement or Plaintiff's counsel's application for attorneys' fees and expenses; and (c) be deemed to have waived and barred and foreclosed from being heard with respect to any matters concerning the Settlement or Plaintiff's counsel's application for attorneys' fees and expenses.

9. All briefs in support of the approval of the Settlement and/or Plaintiff's counsel's application for attorneys' fees and expenses shall be filed with the Court no later than twenty-one (21) calendar days before the Settlement Hearing; and reply papers, if any, shall be filed no later than seven (7) calendar days before the Settlement Hearing.

10. Pending final determination of whether the Settlement should be approved, Plaintiff, Plaintiff's Counsel, all other Company Stockholders, the Defendants, and the Company are enjoined from filing, commencing, or prosecuting any Plaintiff's Released Claims or Defendants' Released Claims.

11. If the Settlement provided for in the Stipulation is approved by the Court following the Settlement Hearing, the Court shall enter the Order and Final Judgment substantially in the form attached to the Stipulation as Exhibit C.

12. In the event that the Settlement is terminated pursuant to the terms of the Stipulation or Final Court Approval otherwise fails to occur for any reason, the Settlement and the Stipulation shall be canceled and terminated; this Order (other

than this paragraph 12) shall become null and void and be without prejudice to the rights and respective positions of the Parties; and the Parties and all proceedings in the Action shall be deemed to have reverted to their respective litigation positions in the Action as of immediately prior to the execution of the Stipulation.

13. Whether the Order and Final Judgment obtains Final Court Approval is not conditioned upon the approval of an award of attorneys' fees, costs, and/or expenses to Plaintiff's Counsel, either at all or in any particular amount, by the Court.

14. The Court retains jurisdiction to consider all further applications arising out of or connected with the proposed Settlement.

The Honorable Lori W. Will



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

MATTHEW SCIABACUCCHI,)
Derivatively on Behalf of TRANSDIGM)
GROUP INCORPORATED)

Plaintiff,)

v.)

W. NICHOLAS HOWLEY, KEVIN)
STEIN, DAVID BARR, WILLIAM)
DRIES, MERVIN DUNN, MICHAEL)
S. GRAFF, SEAN P. HENNESSY,)
RAYMOND LAUBENTHAL, GARY)
MCCULLOUGH, MICHELE)
SANTANA, ROBERT J. SMALL, and)
JOHN STAER,)

C.A. No. 2021-0938-LWW

Individual Defendants)

-and-)

TRANSDIGM GROUP)
INCORPORATED, a Delaware)
corporation,)

Nominal Defendant.)

ORDER AND FINAL JUDGMENT

A hearing having been held before this Court on _____,
2022, pursuant to this Court’s Scheduling Order, dated August __, 2022 (the
“Scheduling Order”), and upon a Stipulation and Agreement of Compromise,
Settlement and Release, dated August 19, 2022 (the “Stipulation”), outlining a

Settlement of the above-captioned action (the “Action”), which is incorporated herein by reference, the parties having appeared by their attorneys of record; the Court having heard and considered the submissions and evidence presented in support of the proposed Settlement, and the application for an award of attorneys’ fees and expenses; the opportunity to be heard having been given to all other persons requesting to be heard in accordance with the Scheduling Order; the Court having determined that Notice was adequate and sufficient; and the entire matter of the proposed Settlement having been heard and considered by the Court;

IT IS HEREBY ORDERED, ADJUDGED AND DECREED, this _____ day of _____, 2022, as follows:

1. Unless otherwise defined herein, all defined terms shall have the meanings as set forth in the Stipulation and the Scheduling Order.

2. The Court has jurisdiction over the subject matter of the Action, and all matters relating to the Settlement of the Action, as well as personal jurisdiction for purposes of the Settlement over all of the Parties and each stockholder of TransDigm Group Inc. (“TransDigm” or the “Company”), and it is further determined that Plaintiff, Defendants, TransDigm, and its stockholders, as well as their transferees, heirs, executors, successors, and assigns are bound by this Order and Final Judgment (the “Judgment”).

3. Notice has been given to all stockholders of TransDigm as of August 19, 2022, pursuant to and in the manner directed by the Scheduling Order; including mailing and other dissemination of the Notice, as set forth in the affidavit of Notice filed with the Court. A full opportunity to be heard has been offered to all Parties, all current TransDigm stockholders, and all other persons in interest. The Court finds that the form and means of the Notice was the best notice practicable under the circumstances and was given in full compliance with the requirements of Delaware Court of Chancery Rule 23.1 and due process of law, and that all stockholders of TransDigm are bound by this Judgment.

4. Based on the record in the Action, each of the provisions of Court of Chancery Rule 23.1 has been satisfied and the Action has been properly maintained according to the provisions of Court of Chancery Rule 23.1.

5. The Court finds that the Settlement is fair, reasonable, adequate, and in the best interests of TransDigm and its stockholders.

6. Pursuant to Court of Chancery Rule 23.1, this Court approves the Settlement in all respects, and the Parties are directed to consummate the Settlement in accordance with the terms of the Stipulation.

7. The Action is hereby dismissed with prejudice as to all Defendants and as to TransDigm, and against Plaintiff and all stockholders of TransDigm. As between Plaintiff and Defendants, the parties are to bear their own

costs, except as otherwise provided in Paragraph 14 below or as otherwise provided in the Stipulation and the Scheduling Order.

8. Upon entry of this Judgment, TransDigm, Plaintiff, and each and every TransDigm stockholder (directly or indirectly), on each of their own behalf, and on behalf of any other person or entity who could assert any of Plaintiff's Released Claims, by operation of the Settlement and to the fullest extent permitted by law, shall completely, fully, finally and forever release, relinquish, settle and discharge each and all of the Defendants' Releasees from any and all of Plaintiff's Released Claims.

9. Upon entry of this Judgment, Defendants and the other Defendants' Releasees, on behalf of themselves and any other person or entity who could assert any of the Defendants' Released Claims on their behalf and on behalf of any other person or entity who could assert any of Defendant's Released Claims, by operation of the Settlement and to the fullest extent permitted by law, shall completely, fully, finally and forever release, relinquish, settle and discharge each and all of the Plaintiff's Releasees from any and all of Defendant's Released Claims.

10. The contemplated releases given by the parties granting the release (the "Releasing Parties") extend to claims that the Releasing Parties did not know or suspect to exist at the time of the release, which if known, might have affected the decision to enter into this release ("Unknown Claims"). The Releasing

Parties shall be deemed to have waived any and all provisions, rights, and benefits conferred by any law of the United States, any law of any state, or principle of common law which governs or limits a person's release of unknown claims to the fullest extent permitted by law. The Releasing Parties shall be deemed to relinquish, to the full extent permitted by law, the provisions, rights, and benefits of Section 1542 of the California Civil Code, which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

11. Neither this Order and Final Judgment, the Settlement, nor any act or omission in connection therewith shall be deemed or argued to be evidence of or to constitute a presumption, concession or admission by Defendants of any breach of duty, liability, fault or wrongdoing as to any facts or claims alleged or asserted in the Action, or in any other actions or proceedings, and shall not be interpreted, construed, deemed, invoked, offered, received in evidence or otherwise used in the Action or any other action or proceeding of any nature whatsoever except to enforce the Stipulation and Settlement. Neither the existence of the Settlement, the

Stipulation nor any provisions contained therein shall be deemed a presumption, concession or admission by Plaintiff that this Action lacks merit.

12. Plaintiff's counsel are hereby awarded attorneys' fees in the amount of \$_____, inclusive of expenses, which amount the Court finds to be fair and reasonable. Such fees shall be paid to Levi & Korsinsky LLP on behalf of all Plaintiff's counsel in this action, at the time, and in the manner, as set forth in the Stipulation. Plaintiff is hereby awarded a service award in the amount of \$_____, to be paid out of the foregoing award of attorneys' fees.

13. The effectiveness of the Order and Final Judgment and the obligations of Plaintiff, Plaintiff's counsel and Defendants under the Settlement shall not be conditioned upon or subject to the resolution of any appeal that relates solely to the issue of Plaintiff's or Plaintiff's counsel's application for an award of attorneys' fees and expenses.

14. The Court further orders, adjudges and decrees that all other relief be, and is hereby, denied, and that this Order and Final Judgment disposes of all the claims and all Parties in the above-styled action.

The Honorable Lori W. Will



EXHIBIT D

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

MATTHEW SCIABACUCCHI,)
Derivatively on Behalf of TRANSDIGM)
GROUP INCORPORATED)

Plaintiff,)

v.)

W. NICHOLAS HOWLEY, KEVIN)
STEIN, DAVID BARR, WILLIAM)
DRIES, MERVIN DUNN, MICHAEL)
S. GRAFF, SEAN P. HENNESSY,)
RAYMOND LAUBENTHAL, GARY)
MCCULLOUGH, MICHELE)
SANTANA, ROBERT J. SMALL, and)
JOHN STAER,)

C.A. No. 2021-0938-LWW

Individual Defendants)

-and-)

TRANSDIGM GROUP)
INCORPORATED, a Delaware)
corporation,)

Nominal Defendant.)

AFFIDAVIT OF MIKE LISMAN IN SUPPORT OF SETTLEMENT

STATE OF OHIO)

COUNTY OF Cuyahoga)

SS: 

I, Mike Lisman, being duly sworn, deposes and states:

1. I am the Chief Financial Officer of TransDigm Group Inc. (“TransDigm” or the “Company”) and have been in this position since July 2018.

2. I submit this affidavit in support of the proposed settlement of the above-captioned derivative action (the “Settlement”) brought on behalf of TransDigm against Defendants W. Nicholas Howley, Kevin Stein, David Barr, Mervin Dunn, Michael S. Graff, Sean P. Hennessy, Raymond Laubenthal, Gary McCullough, Michele Santana, Robert J. Small and John Staer (“Defendants”). I was well informed concerning the progress of this litigation, including with respect to the status of settlement negotiations and the terms of the Settlement.

3. The action asserts derivative claims challenging, *inter alia*, certain dividend equivalent payments (“DEPs”) paid on vested but unexercised options held by Defendants as excessive and unfair. As part of the Settlement, the Company and Defendants agreed that, for fiscal year 2021 and beyond, to the extent DEPs are declared payable to any Company director (the “Directors”), those DEPs will not be paid in cash, but instead will be paid via a reduction to the strike price of options that are issued to that Director.

4. The Company acknowledges that this change to the treatment of DEPs increases the amount of cash on hand for the Company and thereby confers a benefit on the Company in the amount of \$23.8 million.

5. In determining the benefit to the Company, I undertook the following analysis.

6. First, the Company maintains a five-year plan that contains projections provided by management and is updated from time-to-time in the ordinary course of business. The plan was last updated in January 2022. The plan includes projections of dividends paid to Company stockholders.

7. I took both the options the Directors have already received to date and the projected dividend payments from the plan and added projected future option grants to the Directors through 2026. In estimating the future option grants, I assumed a 15% stock growth, which is the percentage the Company uses in the ordinary course of business when setting the size of option awards. I then valued the time difference of money between the dividend date and the projected exercise date by applying a 3% rate of growth each year, which is greater than current rates available to the Company but is a reasonable assumption of the rate the Company could earn over time on the retained cash, given the Company's size, and the fact that the cash retained would not be of sufficient size to redeploy as investment capital. I also assumed an eight-year holding period for the options, which is the average holding period for all directors.

8. This exercise resulted in a fair estimate of value the Company could expect to achieve through its agreement to pay DEPs via a reduction to the

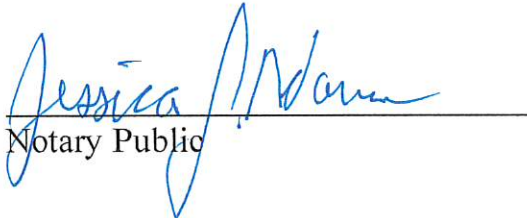
strike price of options that are issued to each Director instead of cash. I understand that the valuation work I performed in connection with this exercise was furnished to counsel for the Plaintiff.

9. Based on the foregoing, the value to the Company in making this change is approximately \$23.8 million.



Mike Lisman

SWORN TO AND SUBSCRIBED before
me this 1st day of August, 2022.



Notary Public



JESSICA L. WARREN, Esq.
Notary Public, State of Ohio
My commission has
no expiration date.
Section 147.03 O.R.C.