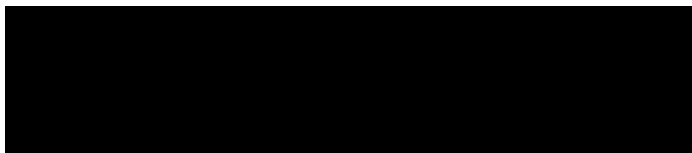


UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF OHIO



Plaintiff,

v.

TRANSDIGM GROUP, INC., W. NICHOLAS
HOWLEY, AND TERRANCE PARADIE,

Defendants.

) Case No.:

) **CLASS ACTION**

) **COMPLAINT FOR VIOLATIONS OF**
) **THE FEDERAL SECURITIES LAWS**

) **DEMAND FOR JURY TRIAL**

TABLE OF CONTENTS

I.	NATURE OF THE ACTION	1
II.	JURISDICTION AND VENUE	4
III.	PARTIES	5
IV.	SUBSTANTIVE ALLEGATIONS	6
A.	Background.....	6
B.	Defendants’ Materially False and Misleading Statements.....	7
C.	The Truth Is Revealed.....	9
D.	Post-Class Period Disclosures	10
V.	CLASS ACTION ALLEGATIONS	11
VI.	UNDISCLOSED ADVERSE FACTS.....	13
VII.	LOSS CAUSATION.....	14
VIII.	SCIENTER ALLEGATIONS.....	16
IX.	APPLICABILITY OF PRESUMPTION OF RELIANCE: FRAUD-ON-THE- MARKET DOCTRINE	16
X.	NO SAFE HARBOR	17
XI.	COUNTS AGAINST DEFENDANTS.....	18
COUNT I.....		18
COUNT II		22
XII.	PRAYER FOR RELIEF	23
XIII.	JURY TRIAL DEMANDED.....	24

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attorneys, alleges the following upon information and belief, except as to those allegations concerning Plaintiff, which are alleged upon personal knowledge. Plaintiff's information and belief is based upon, among other things, its counsel's investigation, which includes without limitation: (a) review and analysis of public filings made by TransDigm Group, Inc. ("TransDigm" or the "Company") and other related parties and non-parties with the U.S. Securities and Exchange Commission ("SEC"); (b) review and analysis of press releases and other publications disseminated by certain of the Defendants and other related non-parties; (c) review of news articles, shareholder communications, conference call transcripts, and postings on TransDigm's website concerning the Company's public statements; and (d) review of other publicly available information concerning TransDigm and the Individual Defendants.

I. NATURE OF THE ACTION

1. This is a federal securities class action on behalf of all persons or entities that purchased or otherwise acquired TransDigm securities between May 10, 2016 and January 19, 2017 (the "Class Period"), seeking to pursue remedies under the Securities Exchange Act of 1934 (the "Exchange Act").

2. TransDigm designs, produces, and supplies aircraft components to customers around the globe. Notably, the Company's largest customer is the U.S. Government. TransDigm is a roll-up whose growth is contingent on acquiring low-priced, proprietary aerospace products and immediately jacking up their prices, a model similar to that utilized by many in the specialty pharmaceutical industry to rapidly increase prices on specialty drugs with limited alternatives. It is not surprising then that about 90% of TransDigm's net sales for fiscal

year 2016 were generated by proprietary products and about 80% of net sales were generated from products for which the Company is the sole source provider.

3. This action involves a fraudulent and illegal scheme by TransDigm and its senior executives to artificially inflate TransDigm's growth and profitability by price gouging the U.S. Government. TransDigm has recently been accused of operating as a hidden monopoly and of engaging in waste, abuse and fraud against the government. Specifically, the Company has engaged in a series of unreasonable price increases for products for which it is the only supplier and also disguised its cost structure and identity from Pentagon procurement officers, in violation of the rules governing the bidding on such government contracts.

4. TransDigm operates as a private-equity-like business that has historically focused on acquiring companies that make high-margin, but relatively low-priced proprietary aerospace products with significant aftermarket sales. This strategy has allowed TransDigm to raise prices and fly under the radar by not affecting the overall price of an airplane so drastically that it would attract scrutiny. Below are some examples of price increases following acquisitions:

Company	Part	Pre-Acquisition Price	Post-Acquisition Price
Aerosonic	Vibration Panel	\$67.33	\$271.00
Arkwin	Pawl	\$972.00	\$1950.00
Harco	Cable Assembly	\$1737.03	\$7863.60
Skurka	Connector	\$310.00	\$1109.82
Whippany	Motor Rotor	\$654.46	\$5474.00

5. By using an elaborate web of exclusive distributors and hidden subsidiaries, TransDigm was able to covertly acquire sole source manufacturers and exponentially increase the price of their goods without government procurement officials taking notice.

6. First, by utilizing exclusive distributors, TransDigm adds a buffer between its manufacturing subsidiary and the government, making it more difficult for the contracting

officer to access cost and pricing data. Because these bids are technically “competitive,” they are less likely to attract government attention.

7. Second, federal regulations require government contractors who register with the System for Award Management (“SAM”) database to disclose whether they are owned by another entity. On November 1, 2014, a new subpart was added to the Federal Acquisition Regulations that requires all registrants in the SAM database to disclose whether they are owned by another entity and to identify the parent entity by legal name and by the parent entity’s unique Commercial and Government Entity code. The purpose is to track the government’s total spending across a specific company and obtain more insight into supply chain traceability. However, at least 12 TransDigm subsidiaries failed to disclose TransDigm as a parent despite the fact that TransDigm listed 9 of them as subsidiaries in SEC filings. By failing to list TransDigm as a parent entity, these subsidiaries prevented the government from linking price increases across a range of seemingly separate companies to one single entity (TransDigm), a practice that could affect procurement decisions.

8. On January 20, 2017, Citron Research (“Citron”), a well-known short seller, issued a report accusing TransDigm of being the “Valeant of the aerospace industry.” The report disclosed that the Company uses multiple shell distributors that have no pricing power to avoid detection by making government bids seems competitive. Citron further emphasized that TransDigm’s growth was driven, in large part, by rampant acquisitions and extreme debt levels. In reaction to the Citron report, which finally uncovered the Company’s illicit practices, TransDigm’s share price dropped \$24.86 per share, or 9.87%, from \$251.76 per share on January 19, 2017 to \$226.90 per share on January 20, 2017 – wiping out \$1.2 billion in market capitalization in one trading day.

9. As further detailed below, throughout the Class Period, Defendants made false and/or misleading statements, and/or failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (1) TransDigm's growth and profitability were artificially inflated as a result of its illicit business practices; (2) the Company used exclusive distributors to make noncompetitive government bids seems competitive; (3) TransDigm subsidiaries failed to list TransDigm as a parent entity when submitting government bids; and (4) as a result of the foregoing, Defendants' statements about TransDigm's business, operations, and prospects were false and misleading and/or lacked a reasonable basis. As a result of this fraudulent scheme, Defendants were able to artificially inflate the Company's financials throughout the Class Period.

10. As a direct result of Defendants' wrongful actions, TransDigm's common stock traded at artificially inflated prices throughout the Class Period.

11. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's securities, Plaintiff and the other Class members have suffered significant losses and damages.

II. JURISDICTION AND VENUE

12. The claims asserted herein arise under Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§78j(b) and 78t(a)), and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. § 240.10b-5).

13. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §1331 and Section 27 of the Exchange Act (15 U.S.C. §78aa).



Company, possessed the power and authority to control the contents of TransDigm's reports to the SEC, as well as its press releases and presentations to securities analysts, money and portfolio managers and institutional investors, *i.e.*, the market. Each defendant was provided with copies of the Company's reports and press releases alleged herein to be misleading prior to, or shortly after, their issuance, and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information available to them, each of these Defendants knew that the adverse facts specified herein had not been disclosed to, and were being concealed from, the investing public, and that the positive representations which were being made were then materially false and/or misleading. The Individual Defendants are liable for the false statements pleaded herein, as those statements were each "group-published" information, and were the result of the collective actions of the Individual Defendants.

IV. SUBSTANTIVE ALLEGATIONS

A. Background

21. TransDigm designs, produces, and supplies aircraft components worldwide. The Company's largest customer is the U.S. government, with Boeing and Airbus following suit. Although TransDigm's parts are designed into and sold as original aircraft equipment, 55% of the Company's revenues are generated from recurring aftermarket sales over the life of an aircraft.

22. TransDigm's government bids and contracts are subject to intense scrutiny and a host of regulations. Companies that fail to comply with these regulations are subject to stiff civil and criminal penalties. On government contracts for which the price is based on cost, the U.S. Government had the ability to review TransDigm's costs and performance, as well as its

accounting and general business practices. Based on the results of such audits, the U.S. Government may adjust the Company's contract-related costs and fees, including indirect costs. Furthermore, even where the price of a good sold is not based on cost, the U.S. Government may seek to review TransDigm's costs to determine whether its pricing is "fair and reasonable."

B. Defendants' Materially False and Misleading Statements

23. On May 10, 2016, the first day of the Class Period, TransDigm issued a press release announcing its financial results for the second quarter ended April 2, 2016. Net sales for the quarter rose 28.7%, or \$177.8 million, to \$796.8 million from \$619.0 million in the comparable quarter a year ago. Adjusted net income for the quarter rose 34.1% to \$160.5 million, or \$2.86 per share, from \$119.7 million, or \$2.11 per share, in the comparable quarter a year ago. The Company also reported earnings per share of \$2.47, up 26.0% year-over-year. Commenting on TransDigm's second quarter results, Defendant Howley stressed: "We saw signs of improvement in the commercial aftermarket as second quarter sales rose sharply versus the prior year. After a number of quarters of disconnect, these results are encouraging. The defense picture was mixed with sales slightly down versus the prior year quarter, but bookings were up significantly."

24. On August 9, 2016, TransDigm issued a press release announcing its financial results for the third quarter ended July 2, 2016. Net sales for the quarter rose 15.4%, or \$106.3 million, to \$797.7 million from \$691.4 million in the comparable quarter a year ago. Net income for the quarter rose 41.9% to \$140.6 million, or \$2.52 per share, compared to \$99.1 million, or \$1.75 per share, in the comparable quarter a year ago. The press release attributed the increase in net income to sales growth and "improvements to [its] operating margin resulting from the strength of [its] proprietary products and continued productivity efforts." Defendant Howley

also commented on TransDigm's third quarter 2016 results, stating: "We are encouraged to see continuing improvement in the commercial aftermarket . . . Our strong third quarter EBITDA as Defined margin of 48.1% continues to reflect the strength of our proprietary products and our continued focus on intrinsic value creation."

25. On November 14, 2016, TransDigm issued a press release announcing its financial results for the fourth quarter and fiscal year ended September 30, 2016. Net sales for the quarter rose 8.1%, or \$65.4 million, to \$875.2 million from \$809.8 million in the comparable quarter a year ago. Net income for the quarter rose 9.2% to \$154.7 million, or \$2.77 per share, compared to \$141.7 million, or \$2.50 per share, in the comparable quarter a year ago. For fiscal year 2016, net sales increased 17.2% to \$3,171.4 million from \$2,707.1 million in the comparable period last year. Fiscal 2016 net income increased 31.1% to \$586.4 million, or \$10.39 per share, compared with \$447.2 million, or \$7.84 per share, in the comparable period last year. The Company attributed the increase in net income to sales growth, "improvements to [its] operating margin resulting from the strength of [its] proprietary products, continued productivity efforts and favorable product mix," and a lower effective tax rate.

26. On November 15, 2016, TransDigm filed its 2016 Annual Report on Form 10-K with SEC ("2016 10-K"). The 2016 10-K was signed by the Individual Defendants and reaffirmed the Company's fourth quarter and fiscal year 2016 financial results. The 2016 10-K discussed "Competition" within the aerospace industry and how TransDigm has been able to position itself for success:

The niche markets within the aerospace industry that we serve are relatively fragmented and we face several competitors for many of the products and services we provide. Due to the global nature of the commercial aircraft industry, competition in these categories comes from both U.S. and foreign companies. Competitors in our product offerings range in size from divisions of large public corporations to small privately-held entities with only one or two components in

their entire product portfolios.

We compete on the basis of engineering, manufacturing and marketing high quality products, which we believe meet or exceed the performance and maintenance requirements of our customers, consistent and timely delivery, and superior customer service and support. The industry's stringent regulatory, certification and technical requirements, and the investments necessary in the development and certification of products, create barriers to entry for potential new competitors. As long as customers receive products that meet or exceed expectations and performance standards, we believe that they will have a reduced incentive to certify another supplier because of the cost and time of the technical design and testing certification process. In addition, we believe that the availability, dependability and safety of our products are reasons for our customers to continue long-term supplier relationships.

27. The statements referenced in ¶¶23-26 were materially false and/or misleading because they misrepresented and failed to disclose material adverse facts pertaining to the Company's business and operations, which were known to Defendants or recklessly disregarded by them. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (1) TransDigm's growth and profitability were artificially inflated as a result of its illicit business practices; (2) the Company used exclusive distributors to make noncompetitive government bids seems competitive; (3) TransDigm subsidiaries failed to list TransDigm as a parent entity when submitting government bids; and (4) as a result of the foregoing, Defendants' statements about TransDigm's business, operations, and prospects were false and misleading and/or lacked a reasonable basis. As a result of this fraudulent scheme, Defendants were able to artificially inflate the Company's financials throughout the Class Period.

C. The Truth Is Revealed

28. On January 20, 2017, Citron published a report titled "Could TransDigm be the Valeant of the Aerospace Industry?" that accused the Company of price gouging the U.S. Government. According to Citron, TransDigm acquires airplane parts companies (over 50 in total), proceeds to fire the employees of the newly acquired companies, and egregiously raises

the prices of the newly acquired products. This business model, which has made TransDigm a dominant supplier of airplane parts to the aerospace industry, has burdened the Company's balance sheet with a "sky-high debt load." The "only thing shielding TransDigm from revealing negative organic growth of close to -10%" is the "aggressive year-over-year price increases," as any U.S. Government pressure will expose the Company to revenue contraction and "a devastating cut in EPS."

29. Citron emphasized that the "easiest way for the government to encourage competitive bidding would be to audit the bidding process." A simple audit will reveal how "TransDigm has been able to use the guise of multiple shell distributors, who have no pricing power, to make a bid seem competitive when in reality they are all shells for TransDigm."

30. Citron's report caused TransDigm's stock to decline \$24.86 per share, or 9.87%, from a close of \$251.76 per share on January 19, 2017 to a close of \$226.90 per share on January 20, 2017, wiping out over \$1.2 billion in market capitalization.

D. Post-Class Period Disclosures

31. On March 9, 2017, Citron published a second report alleging that TransDigm subsidiaries had failed to disclose that they were owned by TransDigm when bidding for Pentagon contracts, in violation of numerous laws and regulations. Citron also revealed that TransDigm CEO, Defendant Howley, is using a private equity fund managed by one of his children to facilitate the Company's fraudulent scheme. In reaction to Citron's second report, TransDigm's stock dropped \$10.26 per share, or 4.25%, from a close of \$241.63 per share on March 9, 2017 to a close of \$231.37 per share on March 10, 2017.

32. On March 21, 2017, Congressman Ro Khanna sent a letter to the U.S. Department of Defense's ("DOD") Inspector General asking for an investigation into TransDigm's business

practices. Rep. Khanna noted the recent news reports regarding TransDigm's "hidden monopol[y]" and urged the DOD to ensure that military funding does not benefit "a few individual financiers" at the expense "of our troops and weapons systems." In response to Rep. Khanna's letter, TransDigm shares dropped another \$23.09 per share, or 9.7%, over a two-day period, from \$237.94 per share on March 20, 2017 to \$214.85 per share on March 22, 2017.

33. On June 12, 2017, TransDigm's stock declined once again after Sen. Elizabeth Warren sent a letter to the DOD requesting the commencement of an investigation into the Company's practices. Senator Warren's letter caused TransDigm shares to decline 3%.

V. CLASS ACTION ALLEGATIONS

34. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class consisting of all those who purchased or otherwise acquired TransDigm securities during the Class Period and who were damaged thereby (the "Class"). Excluded from the Class are Defendants, members of the immediate family of each of the Individual Defendants, any subsidiary or affiliate of TransDigm and the directors, officers and employees of the Company or its subsidiaries or affiliates, or any entity in which any excluded person has a controlling interest, and the legal representatives, heirs, successors and assigns of any excluded person.

35. The members of the Class are so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Throughout the Class Period, TransDigm's securities were actively traded on the NYSE, an open and efficient market, under the symbol "TDG." Millions of TransDigm shares were traded publicly during the Class Period

on the NYSE. As of May 1, 2017, TransDigm had approximately 52 million shares of common stock outstanding. Record owners and the other members of the Class may be identified from records maintained by TransDigm and/or its transfer agents and may be notified of the pendency of this action by mail, using a form of notice similar to that customarily used in securities class actions.

36. Plaintiff's claims are typical of the claims of the other members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

37. Plaintiff will fairly and adequately protect the interests of the other members of the Class, and has retained counsel competent and experienced in class and securities litigation.

38. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- a) whether the federal securities laws were violated by Defendants' acts and omissions as alleged herein;
- b) whether Defendants participated in and pursued the common course of conduct complained of herein;
- c) whether documents, press releases, and other statements disseminated to the investing public and the Company's shareholders during the Class Period misrepresented material facts about the business, finances, and prospects of TransDigm;
- d) whether statements made by Defendants to the investing public during the Class Period misrepresented and/or omitted to disclose material facts

about the business, finances, value, performance and prospects of TransDigm;

- e) whether the market price of TransDigm common stock during the Class Period was artificially inflated due to the material misrepresentations and failures to correct the material misrepresentations complained of herein; and
- f) the extent to which the members of the Class have sustained damages and the proper measure of damages.

39. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation makes it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

VI. UNDISCLOSED ADVERSE FACTS

40. The market for TransDigm's securities was an open, well-developed and efficient market at all relevant times. As a result of these materially false and misleading statements and failures to disclose described herein, TransDigm's securities traded at artificially inflated prices during the Class Period. Plaintiff and the other members of the Class purchased or otherwise acquired TransDigm's securities relying upon the integrity of the market price of the Company's securities and market information relating to TransDigm, and have been damaged thereby.

41. During the Class Period, Defendants materially misled the investing public, thereby inflating the price of TransDigm's securities, by publicly issuing false and misleading

statements and omitting to disclose material facts necessary to make Defendants' statements, as set forth herein, not false and misleading. Said statements and omissions were materially false and misleading in that they failed to disclose material adverse non-public information and misrepresented the truth about the Company, as well as its business, accounting, financial operations and prospects, as alleged herein.

42. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by Plaintiff and the other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false and misleading statements about TransDigm's financial well-being and prospects.

43. These material misstatements and omissions had the cause and effect of creating in the market an unrealistically positive assessment of the Company and its financial well-being and prospects, thus causing the Company's securities to be overvalued and artificially inflated at all relevant times. Defendants' materially false and misleading statements made during the Class Period resulted in Plaintiff and the other members of the Class purchasing the Company's securities at artificially inflated prices, thus causing the damages complained of herein.

VII. LOSS CAUSATION

44. During the Class Period, as detailed herein, Defendants engaged in a scheme to deceive the market and a course of conduct that artificially inflated the prices of TransDigm's securities and operated as a fraud or deceit on Class Period purchasers of TransDigm's securities by failing to disclose to investors that the Company's financial results were materially misleading and misrepresented material information. When Defendants' misrepresentations and fraudulent conduct were disclosed and became apparent to the market, the prices of TransDigm's

securities fell precipitously as the prior inflation came out of the Company's stock price. As a result of their purchases of TransDigm's securities during the Class Period, Plaintiff and the other Class members suffered economic loss.

45. By failing to disclose the true state of the Company's financial statements, investors were not aware of the true state of the Company's financial status. Therefore, Defendants presented a misleading picture of TransDigm's business practices and procedures. Thus, instead of truthfully disclosing during the Class Period the true state of the Company's business, Defendants caused TransDigm to conceal the truth.

46. Defendants' false and misleading statements had the intended effect and caused TransDigm's common stock to trade at artificially inflated levels throughout the Class Period. The stock price drops discussed herein caused real economic loss to investors who purchased the Company's securities during the Class Period.

47. The decline in the price of TransDigm's common stock after the truth came to light was a direct result of the nature and extent of Defendants' fraud finally being revealed to investors and the market. The timing and magnitude of TransDigm's common stock price declines negates any inference that the loss suffered by Plaintiff and the other Class members was caused by changed market conditions, macroeconomic or industry factors, or Company-specific facts unrelated to the Defendants' fraudulent conduct. The economic loss suffered by Plaintiff and the other Class members was a direct result of Defendants' fraudulent scheme to artificially inflate the prices of TransDigm's securities and the subsequent decline in the value of TransDigm's securities when Defendants' prior misrepresentations and other fraudulent conduct were revealed.

VIII. SCIENTER ALLEGATIONS

48. As alleged herein, the Individual Defendants acted with scienter in that the Individual Defendants knew that the public documents and statements issued or disseminated in the name of the Company during the Class Period were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws.

49. As set forth herein, the Individual Defendants, by virtue of their receipt of information reflecting the true facts regarding TransDigm, their control over, receipt and/or modification of TransDigm's allegedly materially misleading statements and omissions, and/or their positions with the Company which made them privy to confidential information concerning TransDigm, participated in the fraudulent scheme alleged herein.

IX. APPLICABILITY OF PRESUMPTION OF RELIANCE: FRAUD-ON-THE-MARKET DOCTRINE

50. At all relevant times, the market for TransDigm's securities was an efficient market for the following reasons, among others:

- a) TransDigm securities met the requirements for listing, and were listed and actively traded on the NYSE, a highly efficient market;
- b) As a regulated issuer, TransDigm filed periodic public reports with the SEC and the NYSE;
- c) TransDigm securities were followed by securities analysts employed by major brokerage firms who wrote reports which were distributed to the sales force and certain customers of their respective brokerage firms.

Each of these reports was publicly available and entered the public marketplace; and

- d) TransDigm regularly issued press releases which were carried by national newswires. Each of these releases was publicly available and entered the public marketplace.

51. As a result of the foregoing, the market for TransDigm's securities promptly digested current information regarding TransDigm from all publicly available sources and reflected such information in TransDigm's stock price. Under these circumstances, all purchasers of TransDigm's securities during the Class Period suffered similar injury through their purchase of TransDigm's securities at artificially inflated prices and a presumption of reliance applies.

52. A Class-wide presumption of reliance is also appropriate in this action under the U.S. Supreme Court's holding in *Affiliated Ute Citizens of Utah v. United States*, 406 U.S. 128 (1972), because Plaintiff's fraud claims are grounded in Defendants' omissions of material fact of which there is a duty to disclose. As this action involves Defendants' failure to disclose material adverse information regarding TransDigm's business practices, financial results and condition, and the Company's internal controls—information that Defendants were obligated to disclose during the Class Period but did not—positive proof of reliance is not a prerequisite to recovery. All that is necessary is that the facts withheld be material in the sense that a reasonable investor might have considered such information important in the making of investment decisions.

X. NO SAFE HARBOR

53. The federal statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this

Complaint. The statements alleged to be false and misleading herein all relate to then-existing facts and conditions. In addition, to the extent certain of the statements alleged to be false may be characterized as forward-looking, they were not identified as “forward-looking statements” when made, and there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements.

54. In the alternative, to the extent that the statutory safe harbor is determined to apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the speaker had actual knowledge that the forward-looking statement was materially false or misleading, and/or the forward-looking statement was authorized or approved by an executive officer of TransDigm who knew that the statement was false when made.

XI. COUNTS AGAINST DEFENDANTS

COUNT I Violation of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder Against All Defendants

55. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein. This claim is asserted against all Defendants.

56. During the Class Period, TransDigm and the Individual Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and the other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of TransDigm securities; and (iii) cause Plaintiff and the other members of the Class to purchase TransDigm securities at

artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, defendants, and each of them, took the actions set forth herein.

57. These Defendants: (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to maintain artificially high market prices for TransDigm securities in violation of §10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder. Defendants are sued as primary participants in the wrongful and illegal conduct charged herein. The Individual Defendants are also sued herein as controlling persons of TransDigm, as alleged herein.

58. In addition to the duties of full disclosure imposed on Defendants as a result of their making of affirmative statements and reports, or participation in the making of affirmative statements and reports to the investing public, they each had a duty to promptly disseminate truthful information that would be material to investors in compliance with the integrated disclosure provisions of the SEC, as embodied in SEC Regulation S-X (17 C.F.R. § 210.01, *et seq.*) and S-K (17 C.F.R. § 229.10, *et seq.*) and other SEC regulations, including accurate and truthful information with respect to the Company's operations, financial condition and performance so that the market prices of the Company's publicly traded securities would be based on truthful, complete and accurate information.

59. TransDigm and the Individual Defendants, individually and in concert, directly and indirectly, by the use of means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the business, business practices, performance, operations and future prospects

of TransDigm as specified herein. These Defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of TransDigm's value and performance and substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts, and omitting to state material facts necessary in order to make the statements made about TransDigm and its business, operations and future prospects, in light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of TransDigm's securities during the Class Period.

60. Each of the Individual Defendants' primary liability, and controlling person liability, arises from the following facts: (i) each of the Individual Defendants was a high-level executive and/or director at the Company during the Class Period; (ii) each of the Individual Defendants, by virtue of his responsibilities and activities as a senior executive officer and/or director of the Company, was privy to and participated in the creation, development and reporting of the Company's operational and financial projections and/or reports; (iii) the Individual Defendants enjoyed significant personal contact and familiarity with each other, and were advised of and had access to other members of the Company's management team, internal reports, and other data and information about the Company's financial condition and performance at all relevant times; and (iv) the Individual Defendants were aware of the Company's dissemination of information to the investing public which they knew or recklessly disregarded was materially false and misleading.

61. These Defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were readily available to them. Such Defendants' material misrepresentations and/or omissions were done knowingly or recklessly, and for the purpose and effect of concealing TransDigm's operating condition, business practices and future business prospects from the investing public and supporting the artificially inflated price of its common stock. As demonstrated by their overstatements and misstatements of the Company's financial condition and performance throughout the Class Period, the Individual Defendants, if they did not have actual knowledge of the misrepresentations and omissions alleged, were severely reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

62. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market price of TransDigm securities was artificially inflated during the Class Period. In ignorance of the fact that the market price of TransDigm shares was artificially inflated, and relying directly or indirectly on the false and misleading statements made by Defendants, upon the integrity of the market in which the securities trade, and/or on the absence of material adverse information that was known to or recklessly disregarded by Defendants but not disclosed in public statements by these Defendants during the Class Period, Plaintiff and the other members of the Class acquired TransDigm securities during the Class Period at artificially inflated high prices and were damaged thereby.

63. At the time of said misrepresentations and omissions, Plaintiff and the other members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff

and the other members of the Class and the marketplace known of the true performance, business practices, future prospects and intrinsic value of TransDigm, which were not disclosed by Defendants, Plaintiff and the other members of the Class would not have purchased or otherwise acquired TransDigm securities during the Class Period, or, if they had acquired such securities during the Class Period, they would not have done so at the artificially inflated prices which they paid.

64. By virtue of the foregoing, TransDigm and the Individual Defendants each violated §10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

65. As a direct and proximate result of the Individual Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

COUNT II
Violation of Section 20(a) of the Exchange Act
Against The Individual Defendants

66. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

67. The Individual Defendants were and acted as controlling persons of TransDigm within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions with the Company, participation in and/or awareness of the Company's operations and/or intimate knowledge of the Company's actual performance, the Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiff contends are false and misleading. Each of the Individual Defendants was provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by Plaintiff to be misleading prior to and/or

shortly after these statements were issued, and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

68. In addition, each of the Individual Defendants had direct involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

69. As set forth above, TransDigm and the Individual Defendants each violated §10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their controlling positions, the Individual Defendants are liable pursuant to §20(a) of the Exchange Act. As a direct and proximate result of these Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

XII. PRAYER FOR RELIEF

WHEREFORE, Plaintiff, individually and on behalf of the Class, prays for judgment as follows:

- a) Declaring this action to be a class action pursuant to Rule 23(a) and (b)(3) of the Federal Rules of Civil Procedure on behalf of the Class defined herein;
- b) Awarding Plaintiff and the other members of the Class damages in an amount which may be proven at trial, together with interest thereon;
- c) Awarding Plaintiff and the other members of the Class pre-judgment and post-judgment interest, as well as their reasonable attorneys' and experts' witness fees and other costs; and
- d) Awarding such other relief as this Court deems appropriate.