REALOGY CORP
Form 424B3
August 03, 2011
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Filed Pursuant to Rule 424(b)(3)
Registration No. 333-173250

Prospectus Supplement No. 1

(to prospectus dated June 16, 2011)

Realogy Corporation

Up to $1,143,706,000 11.00% Series A Convertible Senior Subordinated Notes due 2018

Up to $291,424,196 11.00% Series B Convertible Senior Subordinated Notes due 2018

Up to $675,111,000 11.00% Series C Convertible Senior Subordinated Notes due 2018

and

Domus Holdings Corp.

Class A Common Stock Issuable upon Conversion of the Notes

This prospectus supplement is being filed to update and supplement the information contained in the prospectus dated June 16, 2011, covering resales by selling securityholders of Realogy Corporation s 11.00% Series A Convertible Senior Subordinated Notes due 2018 (the Series A Convertible Notes), (ii) 11.00% Series B Convertible Senior Subordinated Notes due 2018 (the Series B Convertible Notes) and (iii) $ 11.00% Series C Convertible Senior Subordinated Notes due 2018 (the Series C Convertible Notes and, together with the Series A Convertible Notes and the Series B Convertible Notes, the notes) and the Class A Common Stock of Domus Holdings Corp., par value $0.01 per share (Class A Common Stock), issuable upon conversion of the notes, with the information contained in our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011, filed with the Securities and Exchange Commission (the SEC) on August 3, 2011, to correct the amounts of notes and Class A Common Stock beneficially owned by a selling securityholder previously identified in the table of selling securityholders on page 165 of the prospectus and to supplement the disclosure on page 271 of the prospectus under the heading Experts.

This prospectus supplement updates and supplements the information in the prospectus and is not complete without, and may not be delivered or utilized except in combination with, the prospectus, including any amendments or supplements thereto. This prospectus supplement should be read in conjunction with the prospectus and if there is any inconsistency between the information in the prospectus and this prospectus supplement, you should rely on the information in this prospectus supplement.

Investing in the notes and the Class A Common Stock issuable upon conversion of the notes involves risks. See Risk Factors beginning on page 21 of the prospectus.

Neither the SEC nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of the prospectus or this prospectus supplement. Any representation to the contrary is a criminal offense.

The date of this prospectus supplement is August 3, 2011.

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2011

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Nos. 333-173250, 333-173254 and 333-148153

DOMUS HOLDINGS CORP.

REALOGY CORPORATION

(Exact name of registrants as specified in its charter)

Delaware *(State or other jurisdiction of incorporation or organization)*	**20-8050955 and 20-4381990** *(I.R.S. Employer Identification Numbers)*
One Campus Drive	
Parsippany, NJ *(Address of principal executive offices)*	**07054** *(Zip Code)*

(973) 407-2000

(Registrants telephone number, including area code)

Indicate by check mark whether the Registrants (1) have filed all reports required to be filed by Section 13 of 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes ¨ No x

Indicate by check mark whether the registrants have submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the Registrants are large accelerated filers, accelerated filers, non-accelerated filers, or smaller reporting companies. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the Registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

There were 105,000 shares of Class A Common Stock, $0.01 par value, and 200,426,906 shares of Class B Common Stock, $0.01 par value, of Domus Holdings Corp. outstanding as of August 1, 2011. There were 100 shares of Common Stock, $0.01 par value, of Realogy Corporation outstanding as of August 1, 2011.

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INTRODUCTORY NOTE

Except as otherwise indicated or unless the context otherwise requires, the terms we, us, our, our company and the Company refer to Domus Holdings Corp. (Holdings) and its consolidated subsidiaries, including Domus Intermediate Holdings Corp., a Delaware limited liability company (Intermediate) and Realogy Corporation, a Delaware corporation (Realogy). Holdings is not a party to the senior secured credit facility and certain references in this report to our consolidated indebtedness exclude Holdings with respect to indebtedness under the senior secured credit facility. In addition, while Holdings is a guarantor of Realogy s obligations under the Unsecured Notes and the First and a Half Lien Notes, Holdings is not subject to the restrictive covenants in the agreements governing such indebtedness. Holdings, the indirect parent of Realogy, does not conduct any operations other than with respect to its indirect ownership of Realogy. Intermediate, the parent of Realogy, does not conduct any operations other than with respect to its ownership of Realogy. As a result, the condensed consolidated financial positions, results of operations and cash flows of Holdings, Intermediate and Realogy are the same.

FORWARD-LOOKING STATEMENTS

Forward-looking statements in our public filings or other public statements are subject to known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other public statements. These forward-looking statements were based on various facts and were derived utilizing numerous important assumptions and other important factors, and changes in such facts, assumptions or factors could cause actual results to differ materially from those in the forward-looking statements. Forward-looking statements include the information concerning our future financial performance, business strategy, projected plans and objectives, as well as projections of macroeconomic trends, which are inherently unreliable due to the multiple factors that impact economic trends, and any such variations may be material. Statements preceded by, followed by or that otherwise include the words believes, expects, anticipates, intends, projects, estimate plans, and similar expressions or future or conditional verbs such as will, should, would, may and could are generally forward looking in and not historical facts. You should understand that the following important factors could affect our future results and cause actual results to differ materially from those expressed in the forward-looking statements:

- we have substantial leverage as a result of our April 2007 acquisition by affiliates of Apollo Management VI, L.P. and the related financings (the Merger Transactions). In addition since the Merger Transactions, we have needed to incur additional debt in order to fund negative cash flows, principally due to the significant level of interest expense arising from our substantial leverage. As of June 30, 2011, our total debt (excluding the securitization obligations) was $7,133 million. The housing industry and economy have experienced significant declines since the time of the Merger Transactions that have negatively impacted our operating results. As a result, we have been, and continue to be, challenged by our heavily leveraged capital structure and significant level of interest expense;

- variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase. At June 30, 2011, $2,318 million of our total debt (excluding the securitization obligations and net of interest rate hedges) were at variable rates of interest. Were interest rates to increase 100 basis points (1% change in the interest rate) on our variable rate borrowings, our interest expense would increase by approximately $23 million;

- under our senior secured credit facility, our senior secured leverage ratio of total senior secured net debt to trailing 12-month EBITDA, as those terms are defined in the senior secured credit facility, calculated on a pro forma basis pursuant to the senior secured credit facility, may not exceed 4.75 to 1 on the last day of each fiscal quarter. For the twelve months ended June 30, 2011, we were in compliance with the senior secured leverage ratio covenant with a ratio of 4.38 to 1.0. While the housing market has shown signs of stabilization, there remains substantial uncertainty with respect to the timing and scope of a housing recovery and if a housing recovery is delayed or is weak, we may be subject to additional pressure in maintaining compliance with our senior secured leverage ratio;

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- if we experience an event of default under our senior secured credit facility, including but not limited to a failure to meet our cash interest obligations under such facility, or under our indentures or relocation securitization facilities, or a failure to maintain, or a failure to cure a default of, the applicable senior secured leverage ratio under such instruments, or other lack of liquidity caused by substantial leverage and the adverse conditions in the housing market, such an event would materially and adversely affect our financial condition, results of operations and business;
- adverse developments or the absence of sustained improvement in general business, economic, employment and political conditions;
- adverse developments or the absence of improvement in the U.S. residential real estate markets, either regionally or nationally, including but not limited to:
  - a lack of sustained improvement in the number of homesales, further declines in home prices and/or a deterioration in other economic factors that particularly impact the residential real estate market and the business segments in which we operate;
  - a lack of improvement in consumer confidence;
  - the impact of this recession or future recessions, slow economic growth and high levels of unemployment in the U.S. and abroad;
  - increasing mortgage rates and down payment requirements and/or reduced availability of mortgage financing, including but not limited to the potential impact of various provisions of the Dodd-Frank Act and regulations which may be promulgated thereunder relating to mortgage financing, including restrictions imposed on mortgage originators as well as retention levels required to be maintained by sponsors to securitize mortgages;
  - legislative, tax or regulatory changes that would adversely impact the residential real estate market, including but not limited to potential reform relating to Fannie Mae, Freddie Mac and other government sponsored entities that provide liquidity to the U.S. housing and mortgage markets, as well as, any impact of the April 2011 orders issued by U.S. regulators to 14 financial institutions requiring tighter processes and controls relating to foreclosures as well as any future related actions taken by Federal and state regulators;
  - negative trends and/or a negative perception of the market trends in value for residential real estate;
  - continuing high levels of foreclosure activity including but not limited to the release of homes for sale by financial institutions;
  - excessive or insufficient regional home inventory levels;
  - the inability or unwillingness of homeowners to enter into homesale transactions due to negative equity in their existing homes;

lower homeownership rates due to various factors, including, but not limited to, high unemployment levels, reduced demand or preferred use by households of rental housing due in part to uncertainty regarding future home values;

our geographic and high-end market concentration relating in particular to our company-owned brokerage operations; and

local and regional conditions in the areas where our franchisees and brokerage operations are located;

our inability to access capital and/or to securitize certain assets of our relocation business, either of which would require us to find alternative sources of liquidity, which may not be available, or if available, may not be on favorable terms;

limitations on flexibility in operating our business due to restrictions contained in our debt agreements;

our inability to sustain the improvements we have realized during the past several years in our operating efficiency through cost savings and business optimization efforts;

any remaining resolutions or outcomes with respect to Cendant s (as defined herein) contingent and corporate tax liabilities under the Separation and Distribution Agreement and the Tax Sharing Agreement, including any adverse impact on our future cash flows;

competition in our existing and future lines of business, including, but not limited to, higher costs to retain or attract sales agents for residential real estate brokerages, and the financial resources of competitors;

our failure to comply with laws and regulations and any changes in laws and regulations;

adverse effects of natural disasters or environmental catastrophes;

our failure to enter into or renew franchise agreements, maintain franchisee satisfaction with our brands or the inability of franchisees to survive the ongoing challenges of the real estate market;

disputes or issues with entities that license us their trade names for use in our business that could impede our franchising of those brands;

actions by our franchisees that could harm our business or reputation, non-performance of our franchisees or controversies with our franchisees;

seasonal fluctuations in the residential real estate brokerage business could adversely affect our business, financial condition and liquidity, particularly during periods in which we have significant fixed cash obligations;

the loss of any of our senior management or key managers or employees;

the cumulative effect of adverse litigation, governmental proceedings or arbitration awards against us and the adverse effect of new regulatory interpretations, rules and laws, including any changes that would (1) require classification of independent contractors to employee status, (2) place additional limitations or restrictions on affiliated transactions, which would have the effect of limiting or restricting collaboration among our business units, (3) interpret the Real Estate Settlement Procedures Act (RESPA) in a manner that would adversely affect our operations and business arrangements, or (4) require significant changes in the manner in which we support our franchisees; and

new types of taxes or increases in state, local or federal taxes that could diminish profitability or liquidity.

Other factors not identified above, including those described under the headings Forward-Looking Statements and Risk Factors in our Final Prospectus dated June 16, 2011 covering the resale of the Realogy Corporation 11.00% Senior Subordinated Convertible Notes (the Convertible Notes) and the Class A Common Stock of Domus Holdings Corp. issuable upon conversion of the Convertible Notes (the June 2011 Final Prospectus), filed with the Securities and Exchange Commission (SEC), may also cause actual results to differ materially from those described in our forward-looking statements. Most of these factors are difficult to anticipate and are generally beyond our control. You should consider these factors in connection with considering any forward-looking statements that may be made by us and our businesses generally.

Except for our ongoing obligations to disclose material information under the federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events unless we are required to do so by law. For any forward-looking statement contained in our public filings or other public statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Domus Holdings Corp. and Realogy Corporation:

We have reviewed the accompanying condensed consolidated balance sheets of Domus Holdings Corp. and its subsidiaries and Realogy Corporation and its subsidiaries as of June 30, 2011, and the related condensed consolidated statements of operations for the three and six-month periods ended June 30, 2011 and June 30, 2010 and the condensed consolidated statements of cash flows for the six-month periods ended June 30, 2011 and June 30, 2010. These interim financial statements are the responsibility of the Company s management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2010, and the related consolidated statements of operations, equity (deficit) and cash flows for the year then ended (not presented herein), and in our report dated April 1, 2011, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of June 30, 2011, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP
Florham Park, New Jersey
August 3, 2011

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DOMUS HOLDINGS CORP. AND REALOGY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions)

(Unaudited)

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Revenues				
Gross commission income	$ 873	$ 941	$ 1,448	$ 1,529
Service revenue	192	185	356	321
Franchise fees	70	81	121	136
Other	44	46	85	86
Net revenues	1,179	1,253	2,010	2,072
Expenses				
Commission and other agent-related costs	577	612	951	989
Operating	317	310	635	610
Marketing	54	50	97	96
General and administrative	56	57	127	135
Former parent legacy costs (benefit), net	(12)	(314)	(14)	(309)
Restructuring costs	3	4	5	10
Depreciation and amortization	47	49	93	99
Interest expense/(income), net	161	155	340	307
Loss on the early extinguishment of debt			36	
Other (income)/expense, net		(3)		(6)
Total expenses	1,203	920	2,270	1,931
Income (loss) before income taxes, equity in earnings and noncontrolling interests	(24)	333	(260)	141
Income tax expense	1	118	2	124
Equity in earnings of unconsolidated entities	(4)	(8)	(4)	(9)
Net income (loss)	(21)	223	(258)	26
Less: Net income attributable to noncontrolling interests	(1)	(1)	(1)	(1)
Net income (loss) attributable to Domus Holdings and Realogy	$ (22)	$ 222	$ (259)	$ 25
Earnings (loss) per share attributable to Domus Holdings:				
Basic earnings (loss) per share:	$ (0.11)	$ 1.11	$ (1.29)	$ 0.12
Diluted earnings (loss) per share:	$ (0.11)	$ 1.11	$ (1.29)	$ 0.12
Domus Holdings weighted average common and common equivalent shares outstanding:				
Basic:	200.4	200.4	200.4	200.3
Diluted:	200.4	200.4	200.4	200.3

See Notes to Condensed Consolidated Financial Statements.

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DOMUS HOLDINGS CORP. AND REALOGY CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)

(Unaudited)

	June 30, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 154	$ 192
Trade receivables (net of allowance for doubtful accounts of $66 and $67)	149	114
Relocation receivables	428	386
Relocation properties held for sale	19	21
Deferred income taxes	68	76
Other current assets	104	109
Total current assets	922	898
Property and equipment, net		

The Company accounted for the acquisition of Bruce as a purchase and included the results of operations of Bruce in its consolidated financials statements from the date of acquisition. The Company is in the process of obtaining a third-party valuation of certain intangible assets of Bruce; thus, the values attributed to acquired assets in the consolidated financial statements are subject to adjustment. The Company expects that the $25.6 million of goodwill recognized for the acquisition will be deductible for tax purposes.

ATI On February 7, 2007, TransDigm Inc. acquired all of the outstanding capital stock of Aviation Technologies, Inc. (ATI) for $430.1 million in cash. ATI consists of two primary operating units that service the commercial and military aerospace markets Avtech Corporation (Avtech) and Transicoil LLC (which, together with Transicoil (Malaysia) Sendirian Berhad is referred to as ADS/Transicoil). Avtech is a leading supplier of flight deck and passenger audio systems, cabin lighting, and power control products and related components. ADS/Transicoil is a leading supplier of displays, clocks, brushless motors and related components and instruments. Through Avtech and ADS/Transicoil, ATI manufactures proprietary products for the aerospace industry with broad platform positions and high aftermarket content, all of which fit well with TransDigm s overall direction.

The purchase price consideration and costs associated with the acquisition of $430.1 million were funded through additional borrowings under our senior secured credit facility of $125.4 million (net of fees of $4.6 million), the proceeds from the issuance by TransDigm Inc. of additional senior subordinated notes of $296.5 million (net of fees of $6.5 million) and the use of $8.2 million of our available cash balances.

The Company accounted for the acquisition of ATI as a purchase and included the results of operations of ATI in its consolidated financials statements from the date of acquisition. The Company obtained a preliminary third-party valuation of certain tangible and intangible assets of ATI; thus, the values attributed to acquired assets in the consolidated financial statements are subject to adjustment. The Company expects that substantially all of the $308.6 million of goodwill recognized for the acquisition will not be deductible for tax purposes.

The following table summarizes the unaudited, consolidated pro forma results of operations of the Company, as if the acquisition of ATI had occurred at the beginning of the period ended (in thousands, except the per share amount):

	Thirteen Weeks Ended December 30, 2006
Net sales	$ 151,017
Operating income	54,020
Net income	17,627
Diluted earnings per share	$ 0.37

These pro forma results of operations included the effects of the: (i) inventory purchase accounting adjustments that were charged to cost of sales as the inventory that was on hand as of the date of the acquisition was sold, (ii) additional amortization expense that was recognized from the identifiable intangible assets recorded in accounting for the acquisition, (iii) a reduction in depreciation expense that resulted from the write-down of the carrying value of certain real property to fair value in accounting for the acquisition, and (iv) additional interest expense that resulted from the Company s increased indebtedness from the acquisition. This pro forma information is not necessarily indicative of the results that actually would have been obtained if the transactions had occurred as of the beginning of the periods presented and is not intended to be a projection of future results.

CDA On October 3, 2006, TransDigm Inc. acquired all of the outstanding capital stock of CDA InterCorp (CDA) for $45.7 million in cash. CDA designs and manufacturers specialized controllable drive actuators, motors, transducers, and gearing. The products are consistent with TransDigm s recent acquisition of similar product lines. Goodwill of $34.3 million recognized in accounting for the acquisition will not be deductible for tax purposes.

5. INVENTORIES

Inventories are stated at the lower of cost or market. Cost of inventories is determined by the average cost and the first-in, first-out (FIFO) methods. Inventories consist of the following (in thousands):

	December 29, 2007	September 30, 2007
Work-in-progress and finished goods	$ 72,419	$ 68,287
Raw materials and purchased component parts	70,530	72,943
Total	142,949	141,230
Reserve for excess and obsolete inventory	(14,820)	(14,467)
Inventories - net	$ 128,129	$ 126,763

6. INTANGIBLE ASSETS

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

	December 29, 2007		
	Gross Carrying Amount	Accumulated Amortization	Net
Unpatented technology	$ 168,003	$ 21,092	$ 146,911
License agreement	9,373	2,343	7,030
Trade secrets	18,462	2,638	15,824
Patented technology	1,610	791	819
Order backlog	14,977	14,425	552
Other	1,600	570	1,030
Total	$ 214,025	$ 41,859	$ 172,166

September 30, 2007

	Gross Carrying Amount	Accumulated Amortization	Net
Unpatented technology	$ 168,003	$ 19,178	$ 148,825
License agreement	9,373	2,211	7,162
Trade secrets	18,462	2,429	16,033
Patented technology	1,604	746	858
Order backlog	14,977	13,471	1,506
Other	1,600	513	1,087
Total	$ 214,019	$ 38,548	$ 175,471

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The total carrying amount of identifiable intangible assets not subject to amortization consists of $159.4 million of trademarks and trade names at December 29, 2007 and September 30, 2007.

The aggregate amortization expense on identifiable intangible assets for the thirteen week periods ended December 29, 2007 and December 30, 2006 was approximately $3.3 million and $1.6 million, respectively. The estimated amortization expense for fiscal 2008 is $10.9 million and for each of the five succeeding years 2009 through 2013 is $9.3 million, $9.3 million, $9.3 million, $9.1 million and $9.1 million, respectively.

7. PRODUCT WARRANTY

The Company provides limited warranties in connection with the sale of its products. The warranty period for products sold varies among the Company s operations, ranging generally from 90 days to five years. A provision for the estimated cost to repair or replace the products is recorded at the time of sale and periodically adjusted to reflect actual experience.

The following table presents a reconciliation of changes in the product warranty liability for the periods indicated below (in thousands):

	Thirteen Week Periods Ended	
	December 29, 2007	December 30, 2006
Liability balance at beginning of period	$ 4,624	$ 2,472
Accruals for warranties issued	623	417
Warranty costs incurred	(431)	(343)
Liability balance at end of period	$ 4,816	$ 2,546

8. INCOME TAXES

At the end of each reporting period, the Company makes an estimate of its annual effective income tax rate. The estimate used in the year-to-date period may change in subsequent periods. The Company recorded an income tax provision of $15.4 million in the thirteen week period ended December 29, 2007 compared to $11.7 million in the prior year period. The effective tax rate for the thirteen week period ended December 29, 2007 was 36.4% compared to 36.6% for the comparable period in the prior year.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction as well as in various state jurisdictions. Effective October 1, 2007, the Company adopted the provisions of FIN 48. In accordance with FIN 48, the Company recognized a cumulative-effect adjustment of $1.7 million increasing its liability for unrecognized tax benefits, interest, and penalties and reducing the October 1, 2007 balance of retained earnings.

At October 1, 2007, the Company had $3.2 million in unrecognized tax benefits, the recognition of which would have an effect of $2.4 million on the effective tax rate. The Company does not believe that the tax positions that comprise the unrecognized tax benefit amount will change significantly over the next 12 months.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense. At October 1, 2007, the Company had accrued $0.7 million for the potential payment of interest and penalties.

As of December 29, 2007, the Company is subject to a U.S. Federal income tax examination for fiscal years 2004 through 2006. In addition, the Company is subject to state and local income tax examinations for fiscal years 2003 through 2006.

There were no significant changes to any of these amounts during the first quarter of fiscal 2008.

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9. EARNINGS PER SHARE CALCULATION

The following table sets forth the computation of basic and diluted earnings per share:

	December 29, 2007	December 30, 2006
Basic Earnings Per Share Computation:		
Net income	$ 26,968	$ 20,335
Weighted-average shares outstanding	47,223	44,773
Basic earnings per share	$ 0.57	$ 0.45
Diluted Earnings Per Share Computation:		
Net income	$ 26,968	$ 20,335
Weighted-average shares outstanding	47,223	44,773
Effect of dilutive options outstanding (1)	2,639	3,029
Total weighted-average shares outstanding	49,862	47,802
Diluted earnings per share	$ 0.54	$ 0.43

(1) Stock options totaling -0- and 0.1 million outstanding at December 29, 2007 and December 30, 2006, respectively, were excluded from the diluted earnings per share computation for the thirteen weeks ended December 29, 2007 and December 30, 2006, respectively, due to the anti-dilutive effect of such options.

10. SUPPLEMENTAL GUARANTOR INFORMATION

TransDigm s 7 3/4 % senior subordinated notes are jointly and severally guaranteed, on a senior subordinated basis, by TD Group and TransDigm Inc. s Domestic Restricted Subsidiaries, as defined therein. The following supplemental consolidating condensed financial information presents the balance sheets of the Company as of December 29, 2007 and September 30, 2007 and its statements of operations and cash flows for the thirteen week periods ended December 29, 2007 and December 30, 2006.

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TRANSDIGM GROUP INCORPORATED

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF DECEMBER 29, 2007

(Amounts in thousands)

	TransDigm Group	TransDigm Inc.	Subsidiary Guarantors	Eliminations	Total Consolidated
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 14,367	$ 159,941	$ (3,993)	$	$ 170,315
Trade accounts receivable - Net		11,326	81,180	(227)	92,279
Inventories		18,199	110,097	(167)	128,129
Deferred income taxes		23,136			23,136
Prepaid expenses and other		914	2,786		3,700
Total current assets	14,367	213,516	190,070	(394)	417,559
INVESTMENT IN SUBSIDIARIES AND INTERCOMPANY BALANCES	503,844	1,846,517	273,924	(2,624,285)	
PROPERTY, PLANT AND EQUIPMENT - Net		14,453	71,840		86,293
GOODWILL		43,576	1,204,177		1,247,753
TRADEMARKS AND TRADE NAMES		19,376	140,051		159,427
OTHER INTANGIBLE ASSETS - Net		11,009	161,157		172,166
DEBT ISSUE COSTS - Net		22,100			22,100
OTHER		2,302	352		2,654
TOTAL ASSETS	$ 518,211	$ 2,172,849	$ 2,041,571	$ (2,624,679)	$ 2,107,952
LIABILITIES AND STOCKHOLDERS EQUITY					

CURRENT LIABILITIES:					
Accounts payable	$	$ 6,528	$ 16,379	$ (226)	$ 22,681
Accrued liabilities		28,562	21,838		50,400
Income taxes payable		7,193			7,193
Total current liabilities		42,283	38,217	(226)	80,274
LONG-TERM DEBT		1,357,797			1,357,797
DEFERRED INCOME TAXES	(5,606)	146,158			140,552
OTHER NON-CURRENT LIABILITIES	4,435	4,765	747		9,947
Total liabilities	(1,171)	1,551,003	38,964	(226)	1,588,570
STOCKHOLDERS EQUITY	519,382	621,846	2,002,607	(2,624,453)	519,382
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 518,211	$ 2,172,849	$ 2,041,571	$ (2,624,679)	$ 2,107,952

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TRANSDIGM GROUP INCORPORATED

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF SEPTEMBER 30, 2007

(Amounts in thousands)

	TransDigm Group	TransDigm Inc.	Subsidiary Guarantors	Eliminations	Total Consolidated
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 11,117	$ 97,780	$ (2,951)	$	$ 105,946
Trade accounts receivable - Net		12,644	87,450		100,094
Income taxes receivable		4,053	419		4,472
Inventories		17,098	109,665		126,763
Deferred income taxes		11,967	11,956		23,923
Prepaid expenses and other		2,582	1,819		4,401
Total current assets	11,117	146,124	208,358		365,599
INVESTMENTS IN SUBSIDIARIES AND INTERCOMPANY BALANCES	474,743	1,871,789	198,198	(2,544,730)	
PROPERTY, PLANT AND EQUIPMENT - Net		14,758	72,316		87,074
GOODWILL		11,514	1,236,356		1,247,870
TRADEMARKS AND TRADE NAMES		19,376	140,051		159,427
OTHER INTANGIBLE ASSETS - Net		11,156	164,315		175,471
DEBT ISSUE COSTS - Net		23,026			23,026
OTHER		2,306	280		2,586
TOTAL ASSETS	$ 485,860	$ 2,100,049	$ 2,019,874	$ (2,544,730)	$ 2,061,053

LIABILITIES AND STOCKHOLDERS EQUITY

CURRENT LIABILITIES:					
Accounts payable	$	$ 7,417	$ 17,336	$	$ 24,753
Accrued liabilities		16,995	25,471		42,466
Total current liabilities		24,412	42,807		67,219
LONG-TERM DEBT		1,357,854			1,357,854
DEFERRED INCOME TAXES	(5,606)	121,522	24,335		140,251
OTHER NON-CURRENT LIABILITIES	3,915	3,516	747		8,178
Total liabilities	(1,691)	1,507,304	67,889		1,573,502
STOCKHOLDERS EQUITY	487,551	592,745	1,951,985	(2,544,730)	487,551
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 485,860	$ 2,100,049	$ 2,019,874	$ (2,544,730)	$ 2,061,053

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TRANSDIGM GROUP INCORPORATED

CONDENSED CONSOLIDATING STATEMENT OF INCOME

FOR THE THIRTEEN WEEK PERIOD ENDED DECEMBER 29, 2007

(Amounts in thousands)

	TransDigm Group	TransDigm Inc.	Subsidiary Guarantors	Eliminations	Total Consolidated
NET SALES	$	$ 16,604	$ 146,967	$ (435)	$ 163,136
COST OF SALES		10,558	64,753	(267)	75,044
GROSS PROFIT		6,046	82,214	(168)	88,092
OPERATING EXPENSES:					
Selling and administrative		5,843	12,029		17,872
Amortization of intangibles		156	3,155		3,311
Total operating expenses		5,999	15,184		21,183
INCOME FROM OPERATIONS		47	67,030	(168)	66,909
OTHER INCOME (EXPENSES):					
Interest expense - net		(17,220)	(7,287)		(24,507)
Equity in income of subsidiaries	26,968	37,828		(64,796)	
INCOME BEFORE INCOME TAXES	26,968	20,655	59,743	(64,964)	42,402
INCOME TAX PROVISION (BENEFIT)		(6,313)	21,747		15,434
NET INCOME	$ 26,968	$ 26,968	$ 37,996	$ (64,964)	$ 26,968

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TRANSDIGM GROUP INCORPORATED

CONDENSED CONSOLIDATING STATEMENT OF INCOME

FOR THE THIRTEEN WEEK PERIOD ENDED DECEMBER 30, 2006

(Amounts in thousands)

	TransDigm Group	TransDigm Inc.	Subsidiary Guarantors	Eliminations	Total Consolidated
NET SALES	$	$ 14,608	$ 108,101	$	$ 122,709
COST OF SALES		8,449	50,626		59,075
GROSS PROFIT		6,159	57,475		63,634
OPERATING EXPENSES:					
Selling and administrative		5,581	6,540		12,121
Amortization of intangibles		156	1,486		1,642
Total operating expenses		5,737	8,026		13,763
INCOME FROM OPERATIONS		422	49,449		49,871
OTHER INCOME (EXPENSES):					
Interest expense - net		(16,212)	(1,581)		(17,793)
Equity in income of subsidiaries	20,335	31,024		(51,359)	
INCOME BEFORE INCOME TAXES	20,335	15,234	47,868	(51,359)	32,078
INCOME TAX PROVISION (BENEFIT)		(5,101)	16,844		11,743
NET INCOME	$ 20,335	$ 20,335	$ 31,024	$ (51,359)	$ 20,335

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TRANSDIGM GROUP INCORPORATED

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE THIRTEEN WEEK PERIOD ENDED DECEMBER 29, 2007

(Amounts in thousands)

	TransDigm Group	TransDigm Inc.	Subsidiary Guarantors	Eliminations	Total Consolidated
OPERATING ACTIVITIES:					
Net income	$ 26,968	$ 26,968	$ 37,996	$ (64,964)	$ 26,968
Adjustments to reconcile net income to net cash provided by (used in) operating activities	(26,453)	(12,118)	6,867	64,964	33,260
Net cash provided by operating activities	515	14,850	44,863		60,228
INVESTING ACTIVITIES:					
Capital expenditures		(197)	(2,204)		(2,401)
Net cash used in investing activities		(197)	(2,204)		(2,401)
FINANCING ACTIVITIES:					
Changes in intercompany activities	(3,807)	47,508	(43,701)		
Tax benefit from exercise of stock options	5,017				5,017
Proceeds from exercise of stock options	1,525				1,525
Net cash provided by (used in) financing activities	2,735	47,508	(43,701)		6,542
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,250	62,161	(1,042)		64,369
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	11,117	97,780	(2,951)		105,946

CASH AND CASH EQUIVALENTS, END OF PERIOD	$	14,367	$	159,941	$	(3,993)	$	$	170,315

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TRANSDIGM GROUP INCORPORATED

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE THIRTEEN WEEK PERIOD ENDED DECEMBER 30, 2006

(Amounts in thousands)

	TransDigm Group	TransDigm Inc.	Subsidiary Guarantors	Eliminations	Total Consolidated
OPERATING ACTIVITIES:					
Net income	$ 20,335	$ 20,335	$ 31,024	$ (51,359)	$ 20,335
Adjustments to reconcile net income to net cash provided by (used in) operating activities	(21,550)	(15,310)	3,619	51,359	18,118
Net cash provided by (used in) operating activities	(1,215)	5,025	34,643		38,453
INVESTING ACTIVITIES:					
Capital expenditures		(481)	(2,015)		(2,496)
Acquisition of business		(45,250)			(45,250)
Net cash used in investing activities		(45,731)	(2,015)		(47,746)
FINANCING ACTIVITIES:					
Changes in intercompany activities	(460)	32,346	(31,886)		
Excess tax benefit from exercise of stock options	1,328				1,328
Proceeds from exercise of stock options	1,304				1,304
Net cash provided by (used in) financing activities	2,172	32,346	(31,886)		2,632
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	957	(8,360)	742		(6,661)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,604	62,561	(2,948)		61,217

CASH AND CASH EQUIVALENTS, END OF PERIOD	$	2,561	$	54,201	$	(2,206)	$	$	54,556

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the Company s financial condition and results of operations should be read together with TD Group s consolidated financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q. References in this section to TransDigm, the Company, we, us, our, and similar references refer to TD Group, TransDigm Inc. and TransDigm Inc. s subsidiaries, unless the context otherwise indicates. The following discussion may contain predictions, estimates and other forward-looking statements that involve a number of risks and uncertainties, including those discussed in this report. These risks could cause our actual results to differ materially from any future performance suggested below.

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including, in particular, the statements about the Company s plans, strategies and prospects under this section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations. Although the Company believes that its plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, the Company can give no assurance that such plans, intentions or expectations will be achieved. Many of the factors affecting these forward-looking statements are outside the control of the Company. Consequently, such forward-looking statements should be regarded solely as the Company s current plans, estimates and beliefs. The Company does not undertake and specifically declines any obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events, except as required by applicable law. All forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the foregoing cautionary statements.

Important factors that could cause actual results to differ materially from the forward-looking statements made in this Quarterly Report on Form 10-Q include but are not limited to: future terrorist attacks; a decrease in flight hours and our customers profitability, both of which are affected by general economic conditions; our substantial indebtedness; our reliance on certain customers; the U.S. defense budget and risks associated with being a government supplier; failure to maintain government or industry approvals; the pricing review by the Department of Defense Office of Inspector General to which certain of our divisions and subsidiaries have been subject; failure to complete or successfully integrate acquisitions; future sales of our common stock in the public market caused by the substantial amount of stock held by our affiliates; and other factors. Please refer to the other information included in this Quarterly Report on Form 10-Q and to the Annual Report on Form 10-K for additional information regarding the foregoing factors that may affect our business.

Overview

We believe we are a leading global designer, producer, and supplier of highly engineered aircraft components for use on nearly all commercial and military aircraft in service today. Our business is well diversified due to the broad range of products we offer to our customers. Some of our more significant product offerings, substantially all of which are ultimately provided to end-users in the aerospace industry, include ignition systems and components, mechanical/electro-mechanical actuators and controls, gear pumps, engineered connectors, specialized valving, power conditioning devices, engineered latches and cockpit security devices, specialized AC/DC electric motors, lavatory hardware and components, hold-open rods and locking devices, aircraft audio systems, NiCad batteries/chargers, and specialized fluorescent lighting and cockpit displays. Each of these product offerings consists of many individual products that are typically customized to meet the needs of a particular aircraft platform or customer.

For the first quarter of fiscal 2008, we generated net sales of $163.1 million and net income of $27.0 million. EBITDA As Defined was $75.9 million, or 46.5% of net sales. See below for certain information regarding EBITDA and EBITDA As Defined, including a reconciliation of EBITDA and EBITDA As Defined to net income.

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Certain Acquisitions

Bruce Acquisition

On August 10, 2007, pursuant to an asset purchase agreement among TransDigm Inc., Bruce Industries and the shareholders of Bruce Industries, Bruce Aerospace, Inc., a newly formed wholly-owned subsidiary of TransDigm Inc., acquired certain assets and assumed certain liabilities of Bruce Industries for approximately $35.5 million in cash. Bruce designs and manufactures specialized fluorescent lighting used in the aircraft industry. The proprietary nature, established positions, and aftermarket content fit well with our overall business direction.

ATI Acquisition

On February 7, 2007, TransDigm Inc. acquired all of the outstanding stock of Aviation Technologies, Inc. (ATI) for approximately $430.1 million in cash. ATI consists of two primary operating units that service the commercial and military aerospace markets Avtech and ADS/Transicoil. Avtech is a leading supplier of flight deck and passenger audio systems, cabin lighting, and power control products and related components. ADS/Transicoil is a leading supplier of displays, clocks, brushless motors and related components and instruments. Through Avtech and ADS/Transicoil, ATI manufactures proprietary products for the aerospace industry with broad platform positions and high aftermarket content, all of which fit well with TransDigm s overall direction.

Mr. W. Nicholas Howley, Chairman and Chief Executive Officer of TD Group, and Mr. Douglas Peacock, a director of TD Group, each indirectly owned less than one-half of 1% of ATI s outstanding equity on a fully diluted basis. In addition, prior to the acquisition, Mr. Howley and Mr. Peacock were directors of ATI commencing in 2003, and Mr. Peacock served as ATI s Chairman from 2003 through February 2007.

EBITDA and EBITDA As Defined

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

	Thirteen Week Periods Ended	
	December 29, 2007	December 30, 2006
Net Income	$ 27.0	$ 20.3
Adjustments:		
Depreciation and amortization expense	6.5	4.2
Interest expense, net	24.5	17.8
Income tax provision	15.4	11.8
EBITDA(1)	73.4	54.1
Adjustments:		
Acquisition-related costs(2)	0.8	0.9
Non-cash compensation and deferred compensation costs(3)	1.7	1.3
EBITDA As Defined (1)	$ 75.9	$ 56.3

(1) EBITDA represents earnings before interest, taxes, depreciation and amortization. EBITDA As Defined represents EBITDA plus, as applicable for the relevant period, inventory purchase accounting adjustments, acquisition integration costs, non-cash compensation and deferred compensation charges, and acquisition earnout costs.

We present EBITDA because we believe that it is a useful indicator of our operating performance. Our management believes that EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties to measure a company s operating performance without regard to items such as interest expense, income tax expense and

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depreciation and amortization, which may vary substantially from company to company depending upon, among other things, accounting methods, book value of assets, capital structure and the method by which assets are acquired. We also believe EBITDA is useful to our management and investors as a measure of comparative operating performance between time periods and among companies as it is reflective of changes in pricing decisions, cost controls and other factors that affect operating performance.

Our management uses EBITDA As Defined to review and assess our operating performance and management team in connection with our employee incentive programs, the preparation of our annual budget and financial projections. Our management also believes that EBITDA As Defined is useful to investors because our revolving credit facility under our senior secured credit facility requires compliance, on a pro forma basis, with a first lien leverage ratio, which is measured based on our Consolidated EBITDA. Our senior secured credit facility defines Consolidated EBITDA in the same manner as we define EBITDA As Defined. This financial covenant is a material term of our senior secured credit facility as the failure to comply with such financial covenant could result in an event of default in respect of the revolving credit facility thereunder (and, in turn, an event of default under our senior secured credit facility could result in an event of default under the indenture governing our 7 $^{3}/4$% senior subordinated notes).

Although we use EBITDA and EBITDA As Defined as measures to assess the performance of our business and for the other purposes set forth above, the use of EBITDA and EBITDA As Defined as an analytical tool has limitations, and you should not consider either of them in isolation, or as a substitute for analysis of our results of operations as reported in accordance with GAAP. Some of these limitations are:

- neither EBITDA nor EBITDA As Defined reflects the significant interest expense, or the cash requirements necessary to service interest payments, on our indebtedness;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and neither EBITDA nor EBITDA As Defined reflects any cash requirements for such replacements;
- the omission of the substantial amortization expense associated with our intangible assets further limits the usefulness of EBITDA and EBITDA As Defined;
- neither EBITDA nor EBITDA As Defined includes the payment of taxes, which is a necessary element of our operations; and
- EBITDA As Defined excludes the cash expense we have incurred to integrate acquired businesses into our operations, which is a necessary element of certain of our acquisitions.

Because of these limitations, EBITDA and EBITDA As Defined should not be considered as measures of discretionary cash available to us to invest in the growth of our business. Management compensates for these limitations by not viewing EBITDA or EBITDA As Defined in isolation, and specifically by using other GAAP measures, such as net income, net sales and operating profit, to measure our operating performance. Neither EBITDA nor EBITDA As Defined is a measurement of financial performance under GAAP and neither should be considered as an alternative to net income or cash flow from operations determined in accordance with GAAP, and our calculation of EBITDA and EBITDA As Defined may not be comparable to the calculation of similarly titled measures reported by other companies.

(2) Represents costs incurred to integrate acquired businesses into TD Group s operations, purchase accounting adjustments to inventory that were charged to cost of sales when inventory was sold, facility relocation costs and other acquisition-related costs.

(3) Represents the expenses recognized by the Company under our stock option and deferred compensation plans.

Critical Accounting Policies

Our consolidated financial statements have been prepared in accordance with GAAP, which often requires the judgment of management in the selection and application of certain accounting principles and methods. Management believes that the quality and

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reasonableness of our most critical policies enable the fair presentation of our financial position and results of operations. However, investors are cautioned that the sensitivity of financial statements to these methods, assumptions and estimates could create materially different results under different conditions or using different assumptions.

A summary of our significant accounting policies and estimates is included in the Annual Report on Form 10-K for the year ended September 30, 2007. There has been no significant change to our critical accounting policies during the thirteen week period ended December 29, 2007.

Results of Operations

The following table sets forth, for the periods indicated, certain operating data of the Company as a percentage of net sales:

	Thirteen Week Periods Ended	
	December 29, 2007	**December 30, 2006**
Net sales	100%	100%
Cost of Sales	46	48
Selling and administrative expenses	11	10
Amortization of intangibles	2	1
Income from operations	41	41
Interest expense - net	15	14
Income tax provision	9	10
Net income	17%	17%

Changes in Results of Operations

Thirteen week period ended December 29, 2007 compared with the thirteen week period ended December 30, 2006.

Net Sales. Net sales increased by $40.4 million, or 32.9%, to $163.1 million for the quarter ended December 29, 2007, from $122.7 million for the comparable quarter last year. Sales growth excluding acquisitions was $9.2 million and represented a 7.5% increase over the prior year. This organic growth rate was negatively impacted by a $2.6 million one-time commercial aftermarket shipment made in the prior-year quarter. The organic sales growth was primarily due to (i) an increase of $4.7 million in defense sales (ii) an increase of $3.1 in commercial aftermarket sales due to the continuing growth in the worldwide commercial aerospace market, and (iii) an increase of $1.4 million of commercial OEM sales resulting primarily from an increase in production rates from The Boeing Company and Airbus S.A.S. and related OEM system suppliers. The remaining $31.2 million of the increase resulted from the acquisitions of ATI and Bruce which were not owned in the comparable quarter last year.

Cost of Sales. Cost of sales increased by $15.9 million, or 27.0%, to $75.0 million for the quarter ended December 29, 2007 from $59.1 million for the comparable quarter last year primarily due to the increase volume associated with the higher net sales of $40.4 million discussed above. Cost of sales as a percentage of sales decreased to 46.0% for the thirteen week period ended December 29, 2007 from 48.1% for the thirteen week period ended December 30, 2006. Cost of sales as a percentage of net sales decreased by approximately two percentage points, which was due primarily to the strength of the Company s proprietary products, continued productivity efforts and, to a lesser extent, favorable product mix on the increase in defense and commercial aftermarket sales.

Selling and Administrative Expenses. Selling and administrative expenses increased by $5.8 million to $17.9 million, or 11.0% of sales, for the quarter ended December 29, 2007 from $12.1 million, or 9.9% of sales, for the comparable quarter last year. This increase was primarily due to the higher sales discussed above and an increase in research and development expenses relating to the Boeing 787 and other new programs of $2.7 million, or 1.6% of net sales.

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Amortization of Intangibles. Amortization of intangibles increased by $1.7 million to $3.3 million for the quarter ended December 29, 2007 from $1.6 million for the comparable quarter last year. The increase of $1.7 million was primarily due to the additional identifiable intangible assets recognized in connection with the acquisitions of ATI and Bruce, of which $0.7 million related to order backlog amortization that is amortized over 12 months.

Interest Expense-net. Interest expense increased $6.7 million, or 37.7%, to $24.5 million for the quarter ended December 29, 2007 from $17.8 million for the comparable quarter last year as a result of an increase in our outstanding borrowings of approximately $430 million related to the acquisition of ATI, partially offset by higher interest income of $1.4 million. The Company s weighted average level of outstanding borrowings increased to approximately $1.36 billion for the quarter ended December 29, 2007 from approximately $0.93 billion during the comparable quarter last year while the average interest rate was approximately 7.5% during both the quarter ended December 29, 2007 and the comparable quarter last year.

Income Taxes. Income tax expense as a percentage of income before income taxes was approximately 36.4% for the quarter ended December 29, 2007 compared to 36.6% for the quarter ended December 30, 2006.

Net Income. Net income increased $6.7 million, or 32.6%, to $27.0 million for the first quarter of fiscal 2008 compared to $20.3 million for the first quarter of fiscal 2007, primarily as a result of the factors referred to above.

Backlog

As of December 29, 2007, the Company estimated its sales order backlog at $374.8 million compared to an estimated $261.6 million as of December 30, 2006. This increase in backlog is due to the purchase orders acquired in connection with the acquisitions of ATI and Bruce, discussed above, totaling approximately $60.8 million and an increase in orders across existing product lines in both the OEM and aftermarket segments. The majority of the purchase orders outstanding as of December 29, 2007 are scheduled for delivery within the next twelve months. Purchase orders may be subject to cancellation by the customer prior to shipment. The level of unfilled purchase orders at any given date during the year will be materially affected by the timing of the Company s receipt of purchase orders and the speed with which those orders are filled. Accordingly, the Company s backlog as of December 29, 2007 may not necessarily represent the actual amount of shipments or sales for any future period.

Foreign Currency Exchange Rate Risk

We manufacture substantially all of our products in the United States; however, as result of our ATI acquisition, some of our products are manufactured in Malaysia. We sell our products in the United States, as well as in foreign countries. Substantially all of our foreign sales are transacted in U.S. dollars and, therefore, we have no material exposure to fluctuations in the rate of exchange between foreign currencies and the U.S. dollar as a result of foreign sales. In addition the amount of components or other raw materials or supplies that we purchase from foreign suppliers, including our Malaysian manufacturing subsidiary, are not material, with substantially all such transactions being made in U.S. dollars. Accordingly, we have no material exposure to currency fluctuations in the rate of exchange between foreign currencies and the U.S.

dollar arising from these transactions.

Liquidity and Capital Resources

Operating Activities. The Company generated $60.2 million of cash from operating activities during the thirteen week period ended December 29, 2007 compared to $38.5 million during the thirteen week period ended December 30, 2006. The increase of $21.7 million was primarily due to higher net income and favorable changes in working capital for the thirteen week period ended December 29, 2007.

Investing Activities. Cash used in investing activities was $2.4 million during thirteen week period ended December 29, 2007 consisting of capital expenditures. Cash used in investing activities was $47.8 million during thirteen week period ended December 30, 2006 consisting of capital expenditures of $2.5 million and the acquisition of CDA for $45.3 million.

Financing Activities. Cash provided by financing activities during the thirteen week period ended December 29, 2007 was $6.5 million compared to $2.6 million during the thirteen week period ended December 30, 2006. Cash provided by financing activities during the thirteen week periods ended December 29, 2007 and December 30, 2006 related to the exercise of stock options of $6.5 million and $2.6 million, respectively.

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Description of Current Senior Secured Credit Facility and Indenture

The senior secured credit facility (Senior Secured Credit Facility) consists of a $780 million term loan facility, which is fully drawn, and a $200 million revolving loan facility. At December 29, 2007, $198.9 million of the revolving credit facility was available. The term loan facility will mature in June 2013 and is not subject to interim scheduled amortization, but is subject to certain prepayment requirements.

TransDigm Inc. entered into a three year interest rate swap in June 2006 with Credit Suisse for an initial notional amount of $187 million at a fixed rate of 7.6%. The notional amount decreased to $170 million on September 23, 2007 and will decrease to $150 million on September 23, 2008. In January 2008, TransDigm Inc. entered into an additional three year interest rate swap with Credit Suisse for a notional amount of $300 million at a fixed rate of 5.0%. As a result of these interest rate swaps, the interest rates on TransDigm s total debt are approximately 75% fixed and 25% variable.

TransDigm Inc. issued $575 million aggregate principal amount of 7 ^{3}/4% senior subordinated notes (7^3/4% Senior Subordinated Notes). Such notes do not require principal payments prior to their maturity in July 2014.

New Accounting Standards

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 141(R), Business Combinations (SFAS 141(R)), which replaces SFAS 141. SFAS 141(R) requires assets and liabilities acquired in a business combination, contingent consideration, and certain acquired contingencies to be measured at their fair values as of the date of acquisition. SFAS 141(R) also requires that acquisition-related costs and restructuring costs be recognized separately from the business combination. SFAS 141(R) is effective for fiscal years beginning after December 15, 2008. The Company has not determined the impact of SFAS 141(R) on its consolidated financial position or results of operations

In July 2006, the FASB issued FIN 48. FIN 48 prescribes the minimum accounting and disclosure requirements of uncertain tax positions. FIN 48 also provides guidance on the derecognition, measurement, classification, interest and penalties, and transition of uncertain tax positions. FIN 48 is effective for fiscal periods beginning after December 15, 2006. The Company adopted FIN 48 on October 1, 2007. See Note 8 in Notes to Condensed Consolidated Financial Statements.

ITEM 3. Quantitative and Qualitative Disclosure About Market Risk

Our main exposure to market risk relates to interest rates. Our financial instruments that are subject to interest rate risk principally include fixed-rate and floating-rate long-term debt. At December 29, 2007, we had borrowings under our Senior Secured Credit Facility of $780 million that were subject to interest rate risk. Borrowings under our Senior Secured Credit Facility bear interest, at our option, at a rate equal to either an alternate base rate or an adjusted LIBO rate for a one-, two-, three- or six-month (or to the extent available to each lender, nine- or twelve-month) interest period chosen by us, in each case, plus an applicable margin percentage. Accordingly, the Company s cash flows and earnings will be exposed to the market risk of interest rate changes resulting from variable rate borrowings under our Senior Secured Credit Facility. The effect of a hypothetical one percentage point increase in interest rates would increase the annual interest costs under our Senior Secured Credit Facility by approximately $7.8 million based on the amount of outstanding borrowings at December 29, 2007. The weighted average interest rate on the $780 million of borrowings under our Senior

Secured Credit Facility on December 29, 2007 was 6.86%.

At December 29, 2007, we had an agreement in place to swap variable interest rates on our Senior Secured Credit Facility for fixed interest rates through June 23, 2009 for the notional amount of $170 million, which will decrease to $150 million on September 23, 2008 through June 23, 2009. The fair value of the interest rate swap agreement is adjusted at each balance sheet date, with a corresponding adjustment to other comprehensive income. At December 29, 2007, the fair value of the interest rate swap agreement was a liability of $4.1 million.

Because the interest rates on borrowings under our Senior Secured Credit Facility vary with market conditions, the amount of outstanding borrowings under our Senior Secured Credit Facility approximates the fair value of the indebtedness. The fair value of the

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$575 million aggregate principal amount of our 7 3/4% Senior Subordinated Notes is exposed to the market risk of interest rate changes. The estimated fair value of such notes approximated $581 million at December 29, 2007 based upon quoted market rates.

ITEM 4. CONTROLS AND PROCEDURES

As of December 29, 2007, TD Group carried out an evaluation, under the supervision and with the participation of TD Group s management, including its Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), of the effectiveness of the design and operation of TD Group s disclosure controls and procedures. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that TD Group s disclosure controls and procedures are effective to ensure that information required to be disclosed by TD Group in the reports it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported, within the time periods specified by the Securities and Exchange Commission s rules and forms, and that such information is accumulated and communicated to TD Group s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, TD Group s management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in designing and evaluating the controls and procedures. There have been no significant changes in TD Group s internal controls or other factors that could significantly affect the internal controls subsequent to the date of TD Group s evaluations.

Changes in Internal Control over Financial Reporting

There have been no changes in TD Group s internal control over financial reporting that occurred during the thirteen week period ending December 29, 2007 that have materially affected, or are reasonably likely to materially affect, TD Group s internal control over financial reporting.

PART II: OTHER INFORMATION

ITEM 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the risk factors disclosed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended September 30, 2007. There have been no material changes to the risk factors set forth therein.

ITEM 6. Exhibits

10.1 Employment Agreement, dated January 1, 1998, between Chris Anderson and Avtech Corporation.

31.1 Certification by Principal Executive Officer of TransDigm Group Incorporated pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification by Principal Financial Officer of TransDigm Group Incorporated pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification by Principal Executive Officer of TransDigm Group Incorporated pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification by Principal Financial Officer of TransDigm Group Incorporated pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

TRANSDIGM GROUP INCORPORATED

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

SIGNATURE	TITLE	DATE
/s/ W. Nicholas Howley W. Nicholas Howley	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	February 7, 2008
/s/ Gregory Rufus Gregory Rufus	Chief Financial Officer and Executive Vice President (Principal Financial and Accounting Officer)	February 7, 2008

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EXHIBIT INDEX

TO FORM 10-Q FOR THE PERIOD ENDED DECEMBER 29, 2007

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