

ESTERLINE TECHNOLOGIES CORP  
Form DEF 14A  
January 26, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**SCHEDULE 14A**

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**PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

☐ Preliminary Proxy Statement

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☒ Definitive Proxy Statement

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**Esterline Technologies Corporation**

(Name of Registrant as Specified In Its Charter)

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**NOTICE OF ANNUAL MEETING AND PROXY STATEMENT**

**ESTERLINE TECHNOLOGIES CORPORATION**

**500 108<sup>th</sup> Avenue NE**

**Bellevue, Washington 98004**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**To Be Held March 7, 2012**

To the Shareholders of Esterline Technologies Corporation:

NOTICE IS HEREBY GIVEN that the 2012 annual meeting of shareholders for ESTERLINE TECHNOLOGIES CORPORATION, a Delaware corporation (the Company), will be held on Wednesday, March 7, 2012, at 10:30 a.m. (local time), at the Montage Laguna Beach, 30801 South Coast Highway, Laguna Beach, California, for the following purposes:

- (1) to elect as directors of the Company the four nominees named in the attached proxy statement;
- (2) to approve, on a nonbinding basis, the compensation of the Company's named executive officers for the fiscal year ended October 28, 2011;
- (3) to ratify the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending October 26, 2012; and
- (4) to transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

The Board of Directors has fixed the close of business on January 10, 2012, as the record date for determination of shareholders entitled to notice of and to vote at the meeting or any adjournment or postponement thereof.

The Company's Annual Report for fiscal year 2011 is provided for your convenience.

By order of the Board of Directors

ROBERT D. GEORGE  
*Vice President,  
Chief Financial Officer,*

*Corporate Development and Secretary*

January 26, 2012

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**PROXY STATEMENT**

**ANNUAL MEETING OF SHAREHOLDERS**

**To Be Held March 7, 2012**

This proxy statement, which is first being provided to shareholders on or about January XX, 2012, has been prepared in connection with the solicitation by the Board of Directors of Esterline Technologies Corporation (the "Company") of proxies in the accompanying form to be voted at the 2012 annual meeting of shareholders of the Company to be held on Wednesday, March 7, 2012, at 10:30 a.m. (local time), at the Montage Laguna Beach, 30801 South Coast Highway, Laguna Beach, California 92651, and at any adjournment or postponement thereof. The Company's principal executive office is at 500 108<sup>th</sup> Avenue NE, Suite 1500, Bellevue, Washington 98004.

The cost of this solicitation will be borne by the Company. In addition to solicitation by mail, officers and employees of the Company may, without additional compensation, solicit the return of proxies by telephone, telegram, messenger, facsimile transmission or personal interview. Arrangements may also be made with brokerage houses and other custodians, nominees and fiduciaries to send proxies and proxy material to their principals and the Company may reimburse such persons for their expenses in so doing. The Company has retained MacKenzie Partners, Inc. to provide proxy solicitation services for a fee of \$9,000, plus reimbursement of its out-of-pocket expenses.

Registered shareholders can vote in person, by Internet, by telephone or by mail, as described below. If you are a beneficial shareholder, please refer to the information forwarded by your broker, bank or other holder of record to see what options are available to you. Registered shareholders may cast their vote by:

- (1) Attending and voting in person at the annual meeting;
- (2) Accessing the Internet website specified in the Notice of Internet Availability and following the instructions provided on the website (or if printed copies of the proxy materials were requested, as specified in the printed proxy card);
- (3) Calling the telephone number specified in the Notice of Internet Availability and voting by following the instructions provided on the phone line (or if copies of the proxy materials were requested, as specified in the printed proxy card); or

(4) Requesting a printed proxy card and completing, signing, dating and promptly mailing the proxy card in the envelope provided. Any proxy given pursuant to the solicitation may be revoked at any time prior to being voted. A proxy may be revoked by the record holder or other person entitled to vote (a) by attending the meeting in person and voting the shares, (b) by executing another proxy dated as of a later date or (c) by notifying the Secretary of the Company in writing, at the Company's address set forth on the notice of the meeting, provided that such notice is received by the Secretary prior to the meeting date. All shares represented by valid proxies will be voted at the meeting. Proxies will be voted in accordance with the specification made therein or, in the absence of specification, in accordance with the provisions of the proxy.

The Board of Directors has fixed the close of business on January 10, 2012, as the record date for determining the holders of common stock of the Company (the "Common Stock") entitled to notice of and to vote at the annual meeting. The Common Stock is listed for trading on the New York Stock Exchange. At the close of business on the record date there were outstanding and entitled to vote 30,642,001 shares of Common Stock, which are entitled to one vote per share on all matters which properly come before the annual meeting.

The presence in person or by proxy of the holders of a majority of the outstanding shares of Common Stock entitled to vote is required to constitute a quorum for the transaction of business at the meeting. The inspector of elections, who determines whether or not a quorum is present at the annual meeting, will count abstentions and broker non-votes, which are discussed further below, as shares of Common Stock that are present and entitled to vote for purposes of determining the presence of a quorum. There must be a quorum for the meeting to be held. The Company has appointed Computershare Shareowner Services LLC as the inspector of elections for the annual meeting.

Votes cast by proxy or in person at the annual meeting will be tabulated by the inspector of elections appointed for the annual meeting. The inspector of elections will treat abstentions as shares of Common Stock that are present and entitled to vote for purposes of determining the presence of a quorum.

For Proposal One regarding the election of directors, each nominee must receive an affirmative vote of a majority of votes cast, either in person or represented by proxy at the meeting to be elected to the Board of Directors. Shareholders are not entitled to cumulate votes in electing directors. For Proposal Two regarding the advisory vote on the executive compensation of the Company's named executive officers, the affirmative vote of a majority of the votes cast will be required for approval of the proposal. For Proposal Three, an affirmative vote of a majority of votes cast will be required to approve the ratification of selection of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal year 2012. The votes on Proposal Two (regarding executive compensation) and Proposal Three (regarding the ratification of our independent auditors) are advisory in nature and are nonbinding.

Abstentions and broker non-votes will not be considered votes cast with respect to Proposals One through Three and as a result, they will have no effect on the vote relating to those proposals. Broker non-votes occur when a person holding shares through a bank or brokerage account does not provide instructions as to how his or her shares should be voted and the broker does not exercise discretion to vote those shares on a particular matter. Brokers may not exercise discretion to vote shares as to non-routine matters, such as the election of directors or the advisory votes on executive compensation. Brokers may exercise discretion to vote shares as to which instructions are not given with respect to routine matters, such as the ratification of the selection of Ernst & Young LLP as the Company's independent registered public accounting firm.

#### **PROPOSAL ONE:**

#### **ELECTION OF DIRECTORS**

The Company's Bylaws, as amended and restated, provide for a board of directors that consists of not less than seven (7) or more than twelve (12) members, as may be fixed from time to time by the Board of Directors. The Company's Restated Certificate of Incorporation provides that the directors will be divided into three classes, with the classes serving for staggered, three-year terms such that approximately one-third of the directors are elected each year.

In March 2011, the Board of Directors increased the authorized number of directors of the Board to ten, elected Ms. Mary L. Howell to fill the vacancy created by the expansion and, in accordance with the Company's Restated Certificate of Incorporation, classified Ms. Howell into the class of directors whose term expires at the 2012 annual meeting. In October 2011, Mr. Nosbaum announced his resignation from the Board and the Board of Directors reduced the authorized number of directors to nine.

#### **Majority Voting in Director Elections**

Pursuant to the Company's Amended and Restated Bylaws a director nominee must receive more For votes than Against votes. Abstentions will have no effect on the election of directors since only votes For or Against a nominee will be counted.

Under the Company's Corporate Governance Guidelines, the Board will nominate only those persons who tender, in advance, irrevocable resignations, which are effective upon a director's failure to receive the required vote at any annual meeting at which they are nominated for re-election and Board acceptance of the resignation. The Board will act on the resignation, taking into account the recommendation of the Nominating & Corporate

Governance Committee, and publicly disclose its decision within 90 days from the date of the certification of the election results. Any director who tenders such a resignation in accordance with the Corporate Governance Guidelines will not participate in the Nominating & Corporate Governance Committee recommendation or Board decision on the resignation. If the Board does not accept the resignation, the director will continue to serve until the next annual meeting and until his or her successor is duly elected, or until his or her earlier resignation or removal. If the Board accepts the resignation, then the Board, in its sole discretion, may fill any resulting vacancy or may decrease the size of the Board as provided for and in accordance with the Bylaws.

***The Board of Directors recommends a vote FOR its director nominees named below.***

Information as to each nominee and each director whose term will continue after the 2012 annual meeting is provided below. Unless otherwise instructed, it is the intention of the persons named in the accompanying proxy to vote shares represented by properly executed proxies FOR the election of the nominees named below. The Board of Directors knows of no reason why any of its nominees will be unable or unwilling to serve. If any nominee becomes unavailable to serve, the Board of Directors intends for the persons named as proxies to vote for the election of such other persons, if any, as the Board of Directors may recommend.

**Nominees to the class of directors whose term will expire at the 2015 annual meeting:**

**Delores M. Etter**

***Director, Caruth Institute for Engineering Education and Texas Instruments***

***Distinguished Chair in Engineering Education, Southern Methodist University. Age 64.***

Dr. Etter has been the Director of the Caruth Institute for Engineering Education and the Texas Instruments Distinguished Chair in Engineering Education at Southern Methodist University since June 2008. Previously, she held the position of Assistant Secretary of the Navy for Research, Development and Acquisition from September 2005 to November 2007. She is also a member of the National Academy of Engineering and is a Fellow of the Institute of Electrical and Electronic Engineers, the American Association for the Advancement of Science, and the American Society for Engineering Education. She is also a director of LORD Corporation and Stantec Inc. She has been a director of the Company since 2010.

Dr. Etter has had multiple, substantive experiences within the U.S. Department of Defense, as well as serving on the faculty at the U.S. Naval Academy. This experience, coupled with her deep technical knowledge, and her familiarity with the Joint Strike Fighter and the Mine Resistant Ambush Protected Vehicle program enable Dr. Etter to provide insight and guidance to management and the Board.

**Mary L. Howell**

***Executive Vice President (Retired), Textron, Inc. Age 59.***

Prior to January 2010, Ms. Howell was the Executive Vice President of Textron, Inc. (a multi-industry company serving aircraft, automotive, defense, industrial, and finance businesses), having held such position since August 1995. Ms. Howell is also a board member of the Atlantic Council of the United States and is an advisor to the Center for a New American Society. She has been a director of the Company since 2011.

Ms. Howell has had extensive experience in the commercial and military markets. She has deep expertise in marketing, sales and business development. She served on the boards of the National Association of Manufacturers and the Aerospace Industries Association. Further, her experience as a board member of FM Global gives her insight to sophisticated risk management practices.

**Jerry D. Leitman**

***Chairman (Retired), FuelCell Energy, Inc. Age 69.***

Prior to February 2007, Mr. Leitman was the Chairman of the Board of FuelCell Energy, Inc. (a fuel cell company), having held such position since June 2002. In addition, he also served as Chief Executive Officer from June 2002 to January 2006. He has been a director of the Company since 1998.

Mr. Leitman's contributions to the Board come from a combination of skills acquired from his time as an executive in a global, complex multinational firm ABB as well as the driving force and CEO and Chairman of a start-up energy company. These experiences enable Mr. Leitman to provide insight on capital structure decisions, compensation planning, and leadership in fast moving organizations.



**Gary E. Pruitt**

*Chairman (Retired), Univar.* Age 61.

Prior to November 2010, Mr. Pruitt was the Chairman of Univar (a leading chemical distributor), having held such position since June 2002. In addition, he also served as Chief Executive Officer from June 2002 to October 2009. He is also a director of Itron, Inc. and Premera Blue Cross, and a trustee of Public Storage, Inc. He has been a director of the Company since 2009.

Mr. Pruitt brings extensive knowledge of growing and directing a large, complex, global company. Mr. Pruitt also is familiar with the nuances of international taxation, as he has significant experience in capital structure and treasury management. This unique set of skills is valuable to the Board as the Company has material portions of the business located outside of the U.S., as well as a complex organizational tax structure.

**Continuing directors:**

**Robert W. Cremin**

*Chairman, Esterline Technologies Corporation.* Age 71.

Mr. Cremin has been Chairman since January 2001. In addition, he also served as Chief Executive Officer from January 1999 to October 2009 and President from September 1997 to June 2009. He is also a director and chairman of Dover Corporation, as well as a director of the Pacific Northwest Ballet, Premera Blue Cross, and the Seattle Symphony. Mr. Cremin also serves as the Honorary British Consul in Seattle. He has been a director of the Company since 1998, and his current term expires in 2014.

Mr. Cremin has been associated with Esterline for over 30 years, serving in many capacities as an employee, including Group Vice President, President, Chief Executive Officer, and currently, as Chairman of the Board. Mr. Cremin has extensive knowledge of the Company's strategies, technologies, and culture, as well as deep knowledge of the aerospace and defense industry. Esterline has substantial operations in the United Kingdom and Mr. Cremin's relationships with the Department of Trade and Industry continue to benefit the Company.

**Anthony P. Franceschini**

*President and Chief Executive Officer (Retired), Stantec Inc.* Age 60.

Prior to May 2009, Mr. Franceschini was the President and Chief Executive Officer of Stantec Inc. (an engineering, architecture and related professional services design firm), having held such positions since June 1998. He has served and continues to serve as a director of Stantec Inc. since March 1994. He is also a director of Aecon Group Inc. and ZCL Composites Inc. He has been a director of the Company since 2002, and his current term expires in 2014.

Mr. Franceschini has substantive experience in the area of mergers and acquisitions, having guided Stantec Inc. through a period of significant growth facilitated through many successful acquisitions. His understanding of the acquisition process and post-acquisition integration is beneficial to the Board and management. Additionally, as a Canadian citizen, Mr. Franceschini's familiarity with Canadian law and banking is supportive of Esterline's investments in Canada.

**Paul V. Haack**

*Senior Partner (Retired), Deloitte & Touche LLP.* Age 61.

Prior to 2006, Mr. Haack was a Senior Partner with Deloitte & Touche LLP (a public accounting firm) in their Chicago office, primarily serving companies in the aerospace and defense industry. He is also a director of SonoSite, Inc. He has been a director of the Company since 2006, and his current term expires in 2013.

Mr. Haack has extensive financial and accounting expertise gained from his many years with Deloitte & Touche LLP. He also has experience in complex mergers and acquisitions and capital structure issues gained from involvement in transactions during his career. Also, he has experience in the aerospace and defense industry, having worked with many companies in the industry as one of Deloitte's practice leaders in aerospace and defense.



## R. Bradley Lawrence

*President and Chief Executive Officer, Esterline Technologies Corporation.* Age 64.

Mr. Lawrence has been President and Chief Executive Officer since November 2009. Prior to that time, he was President and Chief Operating Officer since July 2009 and Group Vice President since January 2007. From September 2002 to January 2007, he was President of Advanced Input Systems, a subsidiary of the Company. He has been a director of the Company since November 2009, and his current term expires in 2013.

Mr. Lawrence has a breadth of experience in various functional areas including marketing, sales, and operations and in multiple industrial settings, including experience as the Platform President of the Company's Interface Technologies operations. As CEO of the Company, this knowledge and experience adds substantial insight and provides the driving force to the Company's operational excellence strategy.

## James J. Morris

*Vice President, Engineering and Manufacturing (Retired), The Boeing Company.* Age 63.

Prior to 2007, Mr. Morris was the Vice President, Engineering and Manufacturing, of The Boeing Commercial Airplane Company, having held such position since 2005. He is a Principal at J2 Ventures and is a director of LORD Corporation, JURA Corporation, and 2Source Manufacturing Inc. He has been a consultant to Héroux-Devtek, Inc. since 2008. He has been a director of the Company since 2007, and his current term expires in 2014.

Mr. Morris' experience in supply chain management, engineering, and manufacturing at The Boeing Commercial Airplane Company and within Boeing's helicopter business, as well as his continuing involvement in the aerospace industry, adds a depth of knowledge of the aerospace business, as well as a global perspective to the Board that is difficult to replicate. Mr. Morris has a solid understanding of the complexities involved in the dynamics of a low volume, high mix manufacturing environment found in many of Esterline's operations.

## OTHER INFORMATION AS TO DIRECTORS

### Director Compensation

The following table describes the compensation earned by persons who served as non-employee directors during fiscal 2011. Employees of the Company serving on the Board or committees received no additional compensation for such service.

Name	Fees Earned or			Total
	Paid in Cash	Stock Awards	All Other Compensation	
	(\$) (1)	(\$) (2)	\$ (3)	(\$)
Lewis E. Burns <sup>(4)</sup>	\$ 42,750	\$	\$	\$ 42,750
John F. Clearman <sup>(4)</sup>	60,750			60,750
Robert W. Cremin	204,500	72,000	48,377	324,877
Delores M. Etter <sup>(5)</sup>	40,750	72,000		112,750
Anthony P. Franceschini	58,125	72,000		130,125
Paul V. Haack	78,875	72,000		150,875
Mary L. Howell <sup>(6)</sup>	24,750	72,000		96,750
Jerry D. Leitman	57,875	72,000		129,875
James J. Morris	66,250	72,000		138,250
LeRoy D. Nosbaum <sup>(7)</sup>	63,500	72,000		135,500
Gary E. Pruitt	58,875	72,000		130,875

(1) Amounts in this column represent retainers, meeting fees and chair fees.

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- (2) Amounts in this column represent the aggregate grant date fair value of awards granted during fiscal 2011, computed in accordance with Accounting Standards Codification Topic 718 (ASC 718).
- (3) The amount in this column represents financial planning advisory fees in the amount of \$34,561 and a related tax gross-up in the amount of \$13,816.
- (4) In accordance with the Company's mandatory retirement policy for directors, Messrs. Burns and Clearman retired immediately following the March 2, 2011 Annual Meeting of Shareholders.

(5) Ms. Etter joined the Board in December 2010.

(6) Ms. Howell joined the Board in March 2011.

(7) Mr. Nosbaum resigned from the Board in October 2011.

During fiscal 2011, the Company paid the following cash fees to non-employee directors:

Non-Employee Chairman of the Board Annual Retainer	\$ 150,000
Non-Employee Director (other than the Chairman) Annual Retainer	30,000
Lead Independent Director Additional Annual Retainer	25,000
Audit Committee Chair Additional Annual Retainer	12,500
Compensation Committee Chair Additional Annual Retainer	7,500
Nominating & Corporate Governance Committee Chair Additional Annual Retainer	5,000
Strategy & Technology Committee Chair Additional Annual Retainer	5,000
In Person Board Meeting	1,500
In Person Committee Meeting	1,500
Telephonic Board Meeting	750
Telephonic Committee Meeting	750

All stipends and meeting attendance fees are paid quarterly in arrears. The Company also reimburses non-employee directors for reasonable expenses incurred in attending Board and committee meetings. As the retired President and Chief Executive Officer of the Company, Mr. Cremin was also provided with financial planning benefits. In fiscal 2012, the Company paid Mr. Cremin a one-time tax gross-up in connection with an unanticipated tax liability caused by a new interpretation of imputed income related to the Company's payment of financial planning services in fiscal 2011.

In addition, the Company pays each non-employee director compensation in the form of an annual issuance of \$72,000 worth of fully-paid Common Stock immediately following each annual meeting of shareholders. During fiscal 2011, shares to non-employee directors were issued under the Company's 2004 Equity Incentive Plan.

## Board and Board Committees

There were nine meetings of the Board of Directors during fiscal 2011. During fiscal 2011, each director attended at least 88% of the total number of meetings of the Board of Directors and Board committees of which he/she was a member.

The Board recognizes that there is no single best approach to the structure of Board leadership and therefore, our Corporate Governance Guidelines provide that there shall be a Chairman of the Board who may or may not be a member of management. In the event the Chairman is a member of management, a Lead Independent Director shall be selected from among the non-management directors. This gives the Board the flexibility to structure the Board's leadership in the best interests of the Company. Currently, Mr. Cremin serves as the Chairman of the Board, Mr. Lawrence, as President and Chief Executive Officer, serves as a member of the Board, and due to Mr. Cremin's prior management positions with the Company, Mr. Haack currently serves as the Lead Independent Director.

The Chairman of the Board, if a non-management director, presides over executive sessions of non-management directors, which are held on a regular basis, generally at each scheduled Board meeting. Because the Chairman of the Board was an employee of the Company, the Lead Independent Director, Paul V. Haack, presided over the sessions. Non-management directors who are considered independent under the NYSE independence listing standards also meet in executive session at least annually. In addition, the Audit Committee has adopted the practice of reserving time at each meeting to meet without members of Company management present. The Compensation Committee and the Nominating & Corporate Governance Committee also have adopted a similar practice of meeting periodically without members of Company management present.

**Board's Role in Risk Oversight.** The Company has traditionally identified and evaluated risk as part of its annual strategic planning process (carried out through its business units) and will continue to do so. Beginning in 2009, the Company developed and implemented an enterprise risk management program (ERM) which incorporates the business unit risk assessments. The Company's ERM program is a systematic approach to risk



assessment and mitigation, which is designed to measure, manage and aggregate risks on an enterprise-wide basis. Under the Company's ERM program, management identifies various risks facing the Company and assesses such risks by likelihood of occurrence and potential impact on earnings. Management has the responsibility for developing an action plan to address, mitigate or monitor such risks. Management will update the ERM program annually to reassess existing risk profiles and to identify new types of risk.

The Board of Directors has chosen to retain overall responsibility for overseeing risk assessment in light of the interrelated nature of the elements of risk, rather than delegating this responsibility to a Board committee. As described below, the Board receives assistance from certain of its committees for the identification and monitoring of those risks that are related to the committees' areas of focus as described in each committee charter. The Board and its committees exercise their risk oversight function by carefully evaluating management reports and making inquiries of management regarding material risk exposures and the steps taken to control such exposure.

The Audit Committee reviews risks related to internal controls, disclosure, financial reporting, and legal and compliance activity. Among other processes, the Audit Committee meets regularly in executive sessions with our internal and external auditors as well as the Chief Financial Officer and Chief Accounting Officer. As described more fully below in the section entitled "Statement Regarding Compensation Practices," the Compensation Committee reviews risks associated with the Company's compensation programs, to ensure that incentive compensation arrangements for employees do not encourage inappropriate risk taking.

**Attendance at the Annual Meeting.** The Board of Directors currently does not have a policy with regard to director attendance at the Company's annual shareholders meeting; however, it schedules the first quarter meeting of the Board of Directors on the same date as the annual shareholders meeting. All of the Company's directors attended the annual shareholders meeting in 2011.

**Board Independence.** The Board has reviewed the relationships between the Company and each director and has determined that a majority of the directors are independent for purposes of the NYSE corporate governance listing standards. In accordance with these listing standards, the Board adopted its own set of specified criteria, identified in the Company's Corporate Governance Guidelines which are posted on the Company's website at [www.esterline.com](http://www.esterline.com) under the Corporate Governance tab, to assist it in determining whether any relationship between a director and the Company impairs independence. Using the adopted criteria, the Board affirmatively determined that all of the directors, other than Mr. Lawrence and Mr. Cremin, are independent under the NYSE listing standards. Mr. Lawrence does not meet NYSE independence listing standards due to his current position as President and Chief Executive Officer of the Company. Mr. Cremin does not meet the NYSE independence listing standards due to his prior position as President and Chief Executive Officer of the Company within the last 3 years. In considering the independence of Dr. Etter, who was appointed as a director in December 2010, the Board considered her service as a consultant prior to her appointment, for which she received \$9,000 in consulting fees. The Board determined that this prior relationship did not impair her independence and affirmatively determined that Dr. Etter is independent under the NYSE listing standards.

**The Audit Committee** currently consists of Madam and Messrs. Pruitt (Chairman), Haack, Howell, and Morris, each of whom is independent in accordance with applicable rules promulgated by the Securities and Exchange Commission (SEC) and NYSE listing standards. The Audit Committee selects and retains the independent registered public accounting firm to audit the Company's annual financial statements, approves the terms of the engagement of the independent registered public accounting firm and reviews and approves the fees charged for audits and for any non-audit assignments. The Board of Directors has adopted a written charter for the Audit Committee, a copy of which is posted on the Company's website at [www.esterline.com](http://www.esterline.com) under the Corporate Governance tab. The Audit Committee's responsibilities also include, among others, overseeing (1) the integrity of the Company's financial statements, which includes reviewing the scope and results of the annual audit by the independent registered public accounting firm, any recommendations of the independent registered public accounting firm resulting therefrom and management's response thereto and the accounting principles being applied by the Company in financial reporting, (2) the Company's compliance with legal and regulatory requirements, (3) the independent registered public accounting firm's qualifications and independence, (4) the performance of the Company's internal auditors and the independent registered public accounting firm, and (5) such other related matters as may be assigned to it by the Board of Directors. The Audit Committee met eight times during fiscal 2011.

The Board of Directors has determined that both Messrs. Haack and Pruitt qualify as an audit committee financial expert as defined in Item 407 of Regulation S-K promulgated by the SEC and that each Audit Committee member has accounting and financial management literacy under NYSE listing standards.

**The Compensation Committee** currently consists of Mmes. and Messrs. Franceschini (Chairman), Etter, Howell, Leitman, and Pruitt, each of whom is independent in accordance with applicable NYSE listing standards. The Compensation Committee develops, evaluates and recommends to the Board for its approval corporate goals and objectives relevant to the compensation of the Chief Executive Officer, evaluates the Chief Executive Officer and other corporate officers in light of corporate goals and objectives, recommends the form and level of compensation for officers of the Company, recommends compensation for Board members and is responsible for performing the other related responsibilities set forth in its written charter, which is posted on the Company's website at [www.esterline.com](http://www.esterline.com) under the Corporate Governance tab. The Compensation Committee also administers the Company's stock option plans and incentive compensation plans for senior corporate management, which includes recommending amendments to such plans. When appropriate, the Compensation Committee may form and delegate authority to subcommittees, or may delegate authority to one or more designated members of the Board or to corporate officers. The Chief Executive Officer and the Vice President of Human Resources are non-voting advisors to the Compensation Committee. The Compensation Committee solicits and considers recommendations from the Chief Executive Officer as to compensation for the other executive officers. The Compensation Committee has engaged Towers Watson, an independent executive compensation consultant, to help the Committee develop and review compensation programs for Company executives, including providing and analyzing survey data for executive officer and director compensation and providing recommendations related to the design of executive incentive plans. The Compensation Committee met eight times during fiscal 2011.

The Compensation Committee has the sole authority from the Board of Directors for the appointment, compensation, and oversight of the Company's outside executive and director compensation consultant. Towers Watson's fees for executive and director compensation consulting to the Compensation Committee in fiscal year 2011 were \$68,987. Those services included assistance with reviewing the Company's executive compensation strategy and programs, providing market benchmark information, advising on the competitiveness of director compensation, and providing governance guidance.

During the fiscal year, Towers Watson was also retained by Company management to provide services unrelated to executive or director compensation, including: actuarial and investment advice services for the Company's retirement and health care plans, and compensation software benchmarking data and analysis for the Company's general workforce. The Company paid Towers Watson \$695,515 for those other services in fiscal 2011, as approved by management in the normal course of business.

Based on practices implemented by the Compensation Committee and by Towers Watson to ensure the objectivity of Towers Watson's executive and director compensation consultant, the Compensation Committee believes the consulting advice it receives is objective and not influenced by Towers Watson's other relationships with the Company.

Semler Brossy was selected by the Compensation Committee as the Committee's new outside advisor in June 2011.

**The Executive Committee** currently consists of Messrs. Lawrence (Chairman), Cremin, Franceschini, and Haack. The Executive Committee reviews situations that might, at some future time, become items for consideration of the entire Board of Directors and acts on behalf of the entire Board of Directors between its meetings. The Executive Committee met once during fiscal 2011.

**The Nominating & Corporate Governance Committee** currently consists of Messrs. Leitman (Chairman), and Franceschini, each of whom is independent in accordance with applicable NYSE listing standards. The Nominating & Corporate Governance Committee recommends director candidates to the entire Board, oversees the evaluation of the Board of Directors and Company management, develops and monitors corporate governance principles, practices and guidelines for the Board of Directors and the Company, and is responsible for performing the other related responsibilities set forth in its written charter, which is posted on the Company's website at [www.esterline.com](http://www.esterline.com) under the Corporate Governance tab. The Nominating & Corporate Governance Committee met four times during fiscal 2011.

*The Strategy & Technology Committee* currently consists of Madam and Messrs. Morris (Chairman), Cremin, and Etter. The Strategy & Technology Committee reviews and makes recommendations to the Board of Directors regarding business and technology acquisition opportunities, monitors and evaluates the execution and performance of significant new product and technology launches, and monitors and evaluates the Company's research and development programs. The Strategy & Technology Committee met eight times during fiscal 2011.

#### **Director Nominations and Qualifications**

In accordance with the Company's Bylaws, as amended and restated, any shareholder entitled to vote for the election of directors at the annual meeting may nominate persons for election as directors at the 2013 annual shareholders meeting only if the Corporate Secretary receives written notice of any such nominations no earlier than October 7, 2012, and no later than November 6, 2012. Such nominations should be sent to: Esterline Technologies Corporation, Attn: Corporate Secretary, 500 108<sup>th</sup> Avenue NE, Suite 1500, Bellevue, WA 98004 and comply with the requirements set forth in our Bylaws.

The Chairman of the Board, other directors or senior management of the Company may also recommend director nominees. The Nominating & Corporate Governance Committee will evaluate recommended director nominees, including those that are submitted to the Company by a shareholder, taking into consideration certain criteria such as business and community service skills and experience, policy-making experience, record of accomplishments, personal integrity and high moral responsibility, capacity to evaluate strategy and reach sound conclusions and current Board composition. In addition, prospective directors must have time available to devote to Board activities and be able to work well with the Chief Executive Officer and other members of the Board. Although there is no formal policy in place, the Company and the Nominating and Corporate Governance Committee value board members with varying viewpoints, backgrounds, and experiences. They consider candidates diverse backgrounds as a favorable asset in identifying nominees for director.

The Company did not receive any shareholder nominations for directors to be considered by the Nominating & Corporate Governance Committee for the 2012 annual shareholders meeting.

#### **Communications with the Board**

Shareholders, and other interested parties, may contact Mr. Haack, as the Lead Independent Director, the non-management directors as a group, the Board of Directors as a group or an individual director by the following means:

*Email:* [boardofdirectors@esterline.com](mailto:boardofdirectors@esterline.com)

*Mail:* Board of Directors

Attn: Lead Independent Director or Corporate Secretary

Esterline Technologies Corporation

500 108<sup>th</sup> Avenue NE, Suite 1500

Bellevue, WA 98004

Each communication should clearly specify the name of the individual director or group of directors to whom the communication is addressed. Communications sent by email are delivered directly to the Lead Independent Director and to the Corporate Secretary, who will promptly forward such communications to the specified director addressees. Communications sent by mail will be promptly forwarded by the Corporate Secretary to the specified director addressee or, if such communication is addressed to the full Board of Directors, to the Chairman of the Board and the Lead Independent Director, who will promptly forward such communication to the full Board of Directors. Shareholders wishing to submit proposals for inclusion in the proxy statement relating to the 2013 annual shareholders meeting should follow the procedures specified under *Shareholder Proposals for 2013* below. Shareholders wishing to nominate or recommend directors should follow the procedures specified under *Other Information as to Directors* *Director Nominations and Qualifications* above.

## CODE OF ETHICS

The Company has adopted a code of ethics that applies to its accounting and financial employees, including the Chief Executive Officer and Chief Financial Officer. This code of ethics, which is included as part of the Company's Code of Business Conduct and Ethics that applies to the Company's employees and directors, is posted on the Company's website at [www.esterline.com](http://www.esterline.com) under the Corporate Governance tab. The Company intends to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to or waiver from application of the code of ethics provisions of the Code of Business Conduct and Ethics that applies to the Chief Executive Officer or the Chief Financial Officer, and any other applicable accounting and financial employee, by posting such information on its website at [www.esterline.com](http://www.esterline.com) under the Corporate Governance tab.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding beneficial ownership of shares of Common Stock as of January 10, 2012, by (i) each person or entity who is known by the Company to own beneficially more than 5% of the Common Stock, (ii) each of the Company's directors, (iii) each of the Company's Named Executive Officers and (iv) all directors and executive officers of the Company as a group.

Name and Address of Beneficial Owner (1)	Amount and Nature of Beneficial Ownership (2)	Percent of Class
FMR LLC 82 Devonshire Street, Boston, MA 02109	4,283,510(3)	14.0%
BlackRock, Inc 40 East 52nd Street, New York, NY 10022	2,540,603(4)	8.3%
Dimensional Fund Advisors LP Palisades West Bldg. One, 6300 Bee Cave Road, Austin, TX 78746	2,283,895(5)	7.5%
Robert W. Cremin	380,331(6)	1.2%
Robert D. George	134,100(6)	*
R. Bradley Lawrence	119,151(6)	*
Stephen R. Larson	81,925(6)	*
Frank E. Houston	54,725(6)	*
Jerry D. Leitman	24,272	*
Anthony P. Franceschini	12,192	*
Paul V. Haack	14,951	*
James J. Morris	8,418	*
Alain M. Durand	3,575(6)	*
Gary E. Pruitt	2,630	*
Delores M. Etter	2,255	*
Mary L. Howell	1,020	*
Directors, nominees and executive officers as a group (17 persons)	906,018(6)	2.9%

\* Less than 1%

(1) Unless otherwise indicated, the business address of each of the shareholders named in this table is Esterline Technologies Corporation, 500 108<sup>th</sup> Avenue NE, Bellevue, Washington 98004.

(2) Beneficial ownership is determined in accordance with Rule 13d-3 under the Securities Exchange Act. In computing the number of shares beneficially owned by a person or a group and the percentage ownership of that person or group, shares of Common Stock subject to options currently exercisable or exercisable within 60 days after January 10, 2012, are deemed outstanding, but are not deemed outstanding for the purpose of computing the percentage ownership of any other person. As of January 10, 2012, there were 30,642,001 shares of Common Stock outstanding. Unless otherwise indicated in the footnotes to this table, the person and entities named in the table have sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable.

(3) The information on the number of shares held is based upon a Schedule 13G filed on February 14, 2011, on behalf of FMR LLC ( FMR ). Based upon such filing, FMR beneficially owns 4,283,510 shares.

- (4) The information on the number of shares held is based on a Schedule 13G filed on February 4, 2011, on behalf of BlackRock, Inc. ( BlackRock ). According to such filing, BlackRock beneficially owns 2,540,603 shares.

- (5) The information on the number of shares held is based upon a Schedule 13G filed on February 11, 2011, on behalf of Dimensional Fund Advisors LP ( Dimensional ). Based upon such filing, Dimensional is an investment advisor registered under Section 203 of the Investment Advisors Act of 1940. Dimensional furnishes investment advice to four investment companies registered under the Investment Company Act of 1940, and serves as investment manager to certain other investment vehicles, including commingled group trusts. These investment companies and investment vehicles are the Funds. In its role as investment advisor or investment manager, Dimensional possessed sole voting and investment power over all of the shares. The Funds own all of the shares, and Dimensional disclaims beneficial ownership of such shares. Dimensional has sole voting power over 2,248,864 shares and sole dispositive power over 2,283,895 shares.

(6)