WOODWARD GOVERNOR CO
Form PRE 14A
December 03, 2010

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SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:
þ Preliminary Proxy Statement

o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

o Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material under Rule 14a-12

WOODWARD GOVERNOR COMPANY
(Name of Registrant as Specified In Its Charter)
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):
þ No fee required.

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1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

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4) Proposed maximum aggregate value of transaction:

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o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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Company
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1000 E. Drake Road
Fort Collins, Colorado
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Tel: 970-482-5811
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WOODWARD GOVERNOR COMPANY
NOTICE OF 2010 ANNUAL MEETING OF STOCKHOLDERS
AND PROXY STATEMENT

December 13, 2010

Dear Stockholder:

You are cordially invited to attend Woodward Governor Company s annual meeting of stockholders at 8:00 a.m., Mountain Standard Time, on Wednesday, January 26, 2011, at the Hilton Fort Collins located at 425 West Prospect Road, Fort Collins, Colorado. Registration for the meeting will be conducted in Salon 1. We invite you to join our directors and members of our management team for a continental breakfast at 7:30 a.m. The formal meeting will begin promptly at 8:00 a.m.

Parking is available on site. A map is located on the back of this proxy statement.

Please complete and return your proxy card by mail, or vote via telephone or the Internet, as soon as possible regardless of whether you plan to attend in person.

Sincerely yours,

WOODWARD GOVERNOR COMPANY

Thomas A. Gendron
Chairman, Board of Directors

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Important Notice Regarding the Availability of Proxy Materials for our Annual Meeting to be Held on January 26, 2011:

This Proxy Statement and our Annual Report on Form 10-K for the fiscal year ended September 30, 2010, including consolidated financial statements, are available to you at www.proxydocs.com/wgov.

Wednesday, January 26, 2011

8:00 a.m. MST

Hilton Fort Collins

425 West Prospect Road

Fort Collins, Colorado

The purpose of our Annual Meeting is to:

1. Elect three directors to serve for a term of three years each;

2. Consider and act upon a proposal to ratify the appointment of Deloitte & Touche LLP as independent registered public accounting firm for the fiscal year ending September 30, 2011;

3. Consider and act upon a proposal to amend the Company s Certificate of Incorporation to effect a name change of the Company to Woodward, Inc. ;

4. Consider and act upon a proposal regarding the compensation of the Company s named executive officers;

5. Consider and act upon a proposal regarding the frequency of stockholder advisory votes on executive compensation;

6. Consider a stockholder proposal to eliminate supermajority voting, if properly presented at the annual Stockholder s meeting on January 26, 2011; and

7. Transact other business that properly comes before the meeting, or any postponement or adjournment thereof.

Stockholders who owned Woodward Governor Company common stock at the close of business on the record date, November 29, 2010, are entitled to vote at the meeting, or any postponement or adjournment thereof.

By Order of the Board of Directors,

WOODWARD GOVERNOR COMPANY

A. Christopher Fawzy

Corporate Secretary

December 13, 2010

YOUR VOTE IS IMPORTANT
Even if you plan to attend the meeting in person, please date, sign, and return your proxy card in the enclosed envelope, or vote via telephone or the Internet, as soon as possible. Prompt response is helpful and your cooperation will be appreciated.

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Annual Report on Form 10-K

You may obtain a free copy of our Annual Report on Form 10-K for the year ended September 30, 2010, filed with the Securities and Exchange Commission (SEC) and available at its website at www.sec.gov. Please contact the Corporate Secretary, Woodward Governor Company, P. O. Box 1519, 1000 E. Drake Road, Fort Collins, Colorado 80525 or email investorrelations@woodward.com. This report is also available at www.proxydocs.com/wgov.

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About the Annual Meeting and Voting

Woodward Governor Company (Woodward or the Company), on behalf of its Board of Directors (the Board), is soliciting your proxy to vote at our annual meeting of stockholders (or at any postponement or adjournment of the meeting). This proxy statement summarizes the information you need to know to vote at the meeting.

We began mailing this proxy statement and the enclosed proxy card on or about December 13, 2010, to all stockholders entitled to vote. The Woodward Governor Company Annual Report, which includes our financial statements, is being sent with this proxy statement.

Stockholders who owned Woodward common stock at the close of business on the record date, November 29, 2010, are entitled to vote at the meeting. As of the record date, there were 68,858,638 shares of Woodward common stock outstanding.

Each share of Woodward common stock that you own entitles you to one vote on each matter presented at the meeting, except for the election of directors, for which you may cumulate your votes. Since three directors are standing for election, you will be entitled to three director votes for each share of stock you own. Of this total, you may choose how many votes you wish to cast for each director.

Woodward offers stockholders the opportunity to vote by mail, by telephone, or via the Internet. Instructions to use these methods are set forth on the enclosed proxy card.

If you vote by telephone or via the Internet, please have your proxy or voting instruction card available. A telephone or Internet vote authorizes the named proxies in the same manner as if you marked, signed, and returned the card by mail. Voting by telephone and via the Internet are valid proxy voting methods under the laws of Delaware (our state of incorporation) and our Amended and Restated Bylaws (our Bylaws).

If you properly fill in your proxy card and send it to us in time to vote, one of the individuals named on your proxy card (your proxy) will vote your shares as you have directed. If you sign the proxy card but do not make specific choices, your proxy will follow the Board s recommendations and vote your shares or abstain from voting as follows:

FOR the election of the Board s nominees to the Board;

FOR the proposal to ratify the appointment of Deloitte & Touche LLP as independent registered public accounting firm;

FOR the proposal to amend the Company s Certificate of Incorporation to effect a name change of the Company to Woodward, Inc. ;

FOR the proposal regarding the compensation of the Company s named executive officers;

FOR OPTION #3 (Every Three Years) under the proposal regarding the frequency of stockholder advisory votes on executive compensation; and

AGAINST the stockholder proposal to eliminate supermajority voting, if properly presented at the annual Stockholder s meeting on January 26, 2011.

If any other matter is presented at the meeting, your proxy will vote in accordance with your proxy s best judgment. At the time this proxy statement went to press, we knew of no other matters to be acted on at the meeting.

You may revoke your proxy by:

- entering a new vote by telephone, over the Internet, or by signing and returning another signed proxy card at a later date,
- notifying our Corporate Secretary in writing before the meeting that you have revoked your proxy, or
- voting in person at the meeting.

If you want to give your written proxy to someone other than the individuals named on the proxy card:

- cross out the individuals named and insert the name of the individual you are authorizing to vote, or
- provide a written authorization to the individual you are authorizing to vote along with your proxy card.

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Summary of Proposals Submitted for Vote

The following are only summaries of the proposals. You should review the full discussion of each proposal in this proxy statement before casting your vote.

Proposal 1: Election of Directors

Nominees: At the annual meeting, you will be asked to elect three directors to the Board. Each director will be elected to a three-year term and will hold office until the 2013 Annual Meeting held in or about January 2014 and until a successor is elected and qualifies.

Vote Required: Directors are elected by a plurality vote of shares present at the meeting in person or by proxy, meaning that the three director nominees receiving the most votes will be elected.

Proposal 2: Ratification of the Appointment of Independent Registered Public Accounting Firm

Independent Registered Public Accounting Firm: At the annual meeting, you will be asked to ratify the Audit Committee s appointment of Deloitte & Touche LLP as the Company s independent registered public accounting firm for the fiscal year ending September 30, 2011.

Vote Required: The affirmative vote of the holders of a majority of shares of Woodward common stock present in person or by proxy and entitled to vote at the Annual Meeting will be required to ratify the Audit Committee s appointment of the independent registered public accounting firm.

Proposal 3: Proposal to Amend the Company s Certificate of Incorporation to Effect a Name Change of the Company to Woodward, Inc.

Amendment to the Certificate of Incorporation of the Company: At the annual meeting, you will be asked to approve an amendment to the Certificate of Incorporation to change the Company s name from Woodward Governor Company to Woodward, Inc.

Vote Required: An affirmative vote by the holders of two-thirds of the Company s outstanding common stock will be required to approve an amendment to the Certificate of Incorporation to effect the name change.

Proposal 4: Advisory (Non-Binding) Vote Regarding Executive Compensation

Compensation of the Company s named executive officers: At the annual meeting, you will be asked to approve the compensation of the named executive officers of the Company.

Vote Required: The affirmative vote of the holders of a majority of shares of Woodward common stock present in person or by proxy and entitled to vote at the Annual Meeting will be required for the approval of the compensation of the Company s named executive officers.

The Board unanimously recommends that the stockholders vote FOR each of the proposals listed above.

Proposal 5: Advisory (Non-Binding) Vote Regarding Frequency of Stockholder Advisory Votes on Executive Compensation

Frequency of stockholder advisory votes on executive compensation: At the annual meeting, you will be asked to vote on whether a non-binding stockholder advisory vote on the compensation of our named executive officers, such as the stockholder vote described in Proposal 4, should occur every one, two or three years.

Vote Required: The affirmative vote of the holders of a majority of shares of Woodward common stock present in person or by proxy and entitled to vote at the Annual Meeting will be required for the approval of one of the three resolutions described in Proposal 5.

The Board unanimously recommends that the stockholders vote for OPTION #3 (Every Three Years) under Proposal 5.

Proposal 6: Stockholder Proposal to Eliminate Supermajority Voting

Changes to Supermajority Voting Requirements: At the annual meeting, a stockholder proponent will ask you to approve a stockholder resolution requesting the Board to take the steps necessary so that each stockholder voting requirement in the Company s Certificate of Incorporation and Bylaws that calls for a greater than simple majority vote be changed to a majority of the votes cast for and against the proposal in accordance with applicable laws. The proposal, if approved, would not be binding on the Board and thus may not result in the requested changes.

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Summary of Proposals Submitted for Vote (continued)

Vote Required: The affirmative vote of the holders of a majority of shares of Woodward common stock present in person or by proxy and entitled to vote at the Annual Meeting will be required for the approval of this stockholder proposal.

The Board unanimously recommends that the stockholders vote AGAINST Proposal 6 above.

Quorum

A quorum of stockholders is necessary to hold a valid meeting. The presence, in person or by proxy, at the meeting of holders of shares representing a majority of the votes of the common stock entitled to vote constitutes a quorum. Abstentions and broker non-votes are counted as present for establishing a quorum. A broker non-vote occurs when a stockholder does not provide voting instructions to his or her broker or nominee and the broker or nominee does not have discretionary authority to vote on the matter, as further described below under Voting of Shares Held in Street Name by Your Broker.

Abstentions

Abstentions are counted as present for establishing a quorum. Except for the election of directors and the advisory vote regarding frequency of stockholder advisory votes on executive compensation, abstentions have the same effect as votes against the matter.

Voting of Shares Held in Street Name by Your Broker

If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name and these proxy materials are being forwarded to you by your broker or nominee who is considered, with respect to those shares, the stockholder of record. As the beneficial owner, you have the right to direct your broker on how to vote your shares. You are also invited to attend the annual meeting and vote your shares in person. In order to vote your shares in person, you must provide us with a legal proxy from your broker.

Brokerage firms have authority to vote customers shares for which they have not received voting instructions on certain routine matters, such as ratification of the auditors. If you do not provide voting instructions, your brokerage firm may either vote your shares on routine matters or leave your shares unvoted (i.e., a broker non-vote). On the other hand, absent instructions from customers, a brokerage firm cannot vote customers shares on non-routine matters, such as the election of directors, the advisory vote on executive compensation, the advisory vote regarding frequency of stockholder advisory votes on executive compensation, and the stockholder proposal. Consequently, if you do not give your brokerage firm specific instructions, your shares will not be voted on the non-routine matters and will not be counted in determining the number of shares necessary for approval, although they will count for purposes of determining whether a quorum exists. We encourage you to provide instructions to your brokerage firm. This ensures your shares will be voted at the meeting.

In order for your shares to be voted on all matters presented at the meeting, including election of directors, we urge all stockholders whose shares are held in street name by a brokerage firm to provide voting instructions to the brokerage firm.

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Board of Directors

Board Composition

The Board currently consists of ten directors and is divided into three classes for purposes of election. One class is elected at each annual meeting of stockholders to serve for a three-year term.

Each of the three directors standing for election at the 2010 Annual Meeting of Stockholders has been nominated by the Board at the recommendation of the Nominating and Governance Committee to hold office for a three-year term expiring in 2014 or when a successor is elected and qualifies. Other directors are not standing for election at this meeting and will continue in office for the remainder of their respective terms.

If a nominee is unavailable for election, proxy holders will vote for another nominee proposed by the Nominating and Governance Committee.

The Nominating and Governance Committee is responsible for recommending qualified director candidates for nomination by the Board based on the skills and characteristics that the Board seeks in its members as well as the composition of the Board as a whole. This review includes an assessment of, among other things, a candidate s knowledge, experience, diversity, and skills in areas critical to understanding the Company and its business, with a commitment to enhancing stockholder value. The Nominating and Governance Committee also assesses a candidate s integrity, reputation, ability to make independent analytical inquiries and willingness to devote adequate time to Board duties. The Nominating and Governance Committee seeks candidates with the highest professional and personal ethics and values, guided by the philosophy and concepts as expressed in the Company s Constitution, and who will operate in accordance with the Company s Codes of Business Conduct and Ethics.

We believe that our director nominees should possess the following experience, qualifications, attributes and skills:

a basic understanding of the principal operational and financial objectives, plans and strategies of the Company;

a basic understanding of the results of operations and financial condition of the Company;

a basic understanding of the relative standing of the Company in relation to its competitors; and

leadership experience at the policy-making level in business, government, education or public interest.

We identify below certain biographical information of each of our directors and the director nominees for election, including his or her principal occupation, public company directorships currently held or held during the past five years and other business affiliations. We also describe the specific experience, qualifications, attributes and skills of each director and director nominee that led the Board to conclude that he or she should serve as a member of the Board.

Board of Directors (continued)

PROPOSAL 1 ELECTION OF DIRECTORS

Directors Standing for Election at This Meeting for Terms Expiring in 2014:

Mary L. Petrovich

Age: 47

Mary Petrovich has served as General Manager of AxleTech International, a supplier of off-highway and specialty vehicle drive train systems and components, since its acquisition by General Dynamics in December 2008. Ms. Petrovich served as Chairman and Chief Executive Officer of AxleTech International from 2001 through the December 2008 sale of the company to General Dynamics. Prior to AxleTech, in 2000, Ms. Petrovich was President of the Driver Controls Division of Dura Automotive, possessing management responsibility for 7,600 employees.

Ms. Petrovich has extensive experience with mergers, acquisitions and the integration of acquired businesses in the automotive, off-highway and transportation industries. This experience, together with her operational experience with Six Sigma lean manufacturing techniques and supply chain management, and her experience in evaluating new business opportunities, provides the Board with valuable knowledge in its oversight of Woodward s operational efficiency and recent acquisitions.

Ms. Petrovich has been a director of the Company since 2002.

Other public company directorships: None held during the past five years.

Larry E. Rittenberg

Age: 64

Dr. Larry Rittenberg, PhD, CPA and CIA, is the Ernst & Young Professor of Accounting & Information Systems at the University of Wisconsin. He has been on the faculty at the University since 1976, and served as the chair of the accounting department for 11 years. Dr. Rittenberg teaches auditing, enterprise risk management, governance and control, and has served in leadership positions across a number of professional organizations, including the American Institute of CPAs, the Institute of Internal Auditors (IIA), and the American Accounting Association (AAA), where he served as VP of Finance and established the first audit committee within the AAA. Dr. Rittenberg served as Chairman of The Committee of Sponsoring Organizations of the Treadway Commission (COSO) from 2004 to 2009. COSO is a voluntary private sector organization dedicated to improving the quality of financial reporting through business ethics, effective internal controls, and corporate governance. He also served as a financial advisor providing counsel on Sarbanes-Oxley compliance to the Audit Committee and Board of Petro China, the largest publicly listed company in China.

Dr. Rittenberg s in-depth understanding of accounting and finance, Sarbanes-Oxley, and corporate governance is a valuable asset to the Board in its oversight of the integrity of the Company s financial statements and financial reporting processes.

Dr. Rittenberg has been a director of the Company since 2004.

Other public company directorships: None held during the past five years.

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Board of Directors (continued)

Michael T. Yonker

Age: 68

Michael T. Yonker retired as the President and Chief Executive Officer of Portec, Inc., a manufacturer of engineered products for the construction, railroad, and materials handling industries, in June 1998. Prior to Portec, Mr. Yonker served as Corporate Vice President of PT Components, with responsibility for operational management of its industrial gear business, from 1982 to 1988, and worked with FMC Corporation in corporate strategic planning, marketing and operational management of various of its engineered industrial products businesses from 1971 to 1981.

Mr. Yonker has a technical understanding of engineered products and their applications, and has extensive experience with industrial markets and customers. Mr. Yonker brings to the Board extensive management experience at the senior executive and board-level, and expertise in manufacturing, finance, marketing and international business. Mr. Yonker also has significant experience in the oversight of compensation and governance issues for other public companies.

Mr. Yonker has been a director of the Company since 1993.

Other public company directorships: Modine Manufacturing Company, Inc. (since 1993); EMCOR Group, Inc. (since 2002); Proliance, Inc. (2005-2006).

Your Board recommends a vote FOR the nominees presented in Proposal 1.

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Board of Directors (continued)

Directors Remaining in Office Until 2012:

Paul Donovan

Age: 63

Paul Donovan retired in 2004 as special advisor to the Chairman of Wisconsin Energy Corporation. Mr. Donovan had previously served as the Chief Financial Officer of Wisconsin Energy Corporation from August 1999 until June 2003. Prior to Wisconsin Energy Corporation, Mr. Donovan was Executive Vice President and Chief Financial Officer of Sundstrand Corporation, a manufacturer of aerospace and industrial products, from June 1988 to August 1999. Prior to June 1988, he held a variety of financial positions at Allied Signal, TMS, PHH Group, and Ford Motor Company.

Mr. Donovan s demonstrated leadership of large company corporate finance and tax departments provides the Board with expertise regarding the intricacies of tax, banking, finance, and mergers and acquisitions. He also possesses direct knowledge of the power generation, transportation and aerospace markets, all of which are key business segments for Woodward. As a former member of the Office of the Chairman at Wisconsin Energy and a former member of the Executive Office at Sundstrand Corporation, Mr. Donovan contributes to the Board not only his strong knowledge of the markets in which Woodward competes, but also strong leadership and insight into large organizations.

Mr. Donovan has been a director of the Company since 2000.

Other public company directorships: AMCORE Financial, Inc. (since 1998); CLARCOR, Inc. (since 2000).

Thomas A. Gendron

Age: 49

Tom Gendron has been Chairman of the Board of the Company since January 2008, and has been Chief Executive Officer and President of the Company since July 2005. Mr. Gendron previously served as Chief Operating Officer and President of the Company from September 2002 until July 2005, and as Vice President and General Manager of Industrial Controls from June 2001 until September 2002. Prior to that, Mr. Gendron served as Vice President of Industrial Controls from April 2000 through May 2001, and as Director of Global Marketing and Industrial Controls Business Development from February 1999 through March

2000. Overall, Mr. Gendron has served with Woodward for 20 years in both the aircraft and industrial businesses, providing leadership in sales, marketing, business development, and product support management.

His experience with and knowledge of the Company s businesses and the industries in which they operate has enabled Mr. Gendron to lead the Company s growth since his appointment to President and Chief Operating Officer in September 2002. He has brought significant insight to the Board due to his comprehensive understanding of the Company and its operations, including the Company s strategic vision, products, suppliers, customers and markets.

Mr. Gendron has been a director of the Company since 2005.

Other public company directorships: None held during the past five years

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Board of Directors (continued)

John A. Halbrook

Age: 65

John A. Halbrook retired as Chairman of the Board of the Company in January 2008, and previously served as Chief Executive Officer of the Company from November 1993 until July 2005. Mr. Halbrook has served in various other executive positions with the Company, including Chief Operating Officer and President. Prior to joining Woodward, Mr. Halbrook garnered broad experience in finance and accounting, budgeting, marketing, strategic planning and operations through positions with Worthington Pumps, McGraw Edison, Turbodyne, General Electric, and General Dynamics.

Through his tenure as Chairman and Chief Executive Officer of Woodward, Mr. Halbrook brings to the Board insight into the Company s operations and an understanding of the complex issues facing Woodward s business segments and the markets in which the Company competes.

Mr. Halbrook has been a director of the Company since 1991.

Other public company directorships: AMCORE Financial, Inc. (since 1997); HNI Corporation (2004 May 2010)

Ronald M. Sega

Age: 57

Dr. Ronald M. Sega, age 57, was appointed Vice President and Enterprise Executive for Energy and the Environment at Colorado State University (CSU) and The Ohio State University effective September 1, 2010. Dr. Sega held the position of Vice President for Energy, Environment, and Applied Research with the CSU Research Foundation through August 2010. Prior to joining CSU, Dr. Sega served as Under Secretary for the U.S. Air Force from August 2005 to August 2007. As Under Secretary, Dr. Sega led a team that developed a comprehensive energy strategy emphasizing supply, demand, and culture with results in 2006 of $100 million in energy-related savings and cost avoidance and receipt of the overall Presidential Award for Leadership in Federal Energy Management for the U.S. Government. As Under Secretary, Dr. Sega s role also included the Department of Defense (DOD) Executive Agent for space, and the Air Force Service Acquisition Executive for space programs. From August 2001 until August 2005, Dr. Sega was Director of Defense Research and Engineering, Office of the Secretary of Defense, which is the Chief Technology Officer for the

DOD. From July 1996 to August 2001, he served as Dean, College of Engineering and Applied Science, University of Colorado at Colorado Springs. Dr. Sega is a former NASA astronaut and veteran of two shuttle missions. He retired from the U.S. Air Force Reserves in the rank of Major General.

Dr. Sega brings to the Board extensive experience in applying academic research to real-world situations, knowledge of U.S. government contracting practices, and expertise in aerospace and energy technology and markets.

Dr. Sega has been a Director of the Company since 2008.

Other public company directorships: Rentech, Inc. (Since 2007)

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Board of Directors (continued)

Directors Remaining in Office Until 2013:

John D. Cohn

Age: 56

Mr. Cohn has served as Senior Vice President, European Business Planning and Execution, of Rockwell Automation, Inc., a global provider of innovative industrial automation and information products, services and solutions since March 2009. In this capacity, Mr. Cohn develops and directs regional and country level business strategies for over $1 billion of Rockwell sales. Additionally, Mr. Cohn leads business development activities, including strategic partnerships, acquisitions and other market expansion opportunities to generate incremental revenue. Prior to accepting this position in March 2009, Mr. Cohn served as Senior Vice President, Strategic Development and Communications, for Rockwell Automation from 1999 to March 2009.

Mr. Cohn brings to the Board expertise in global market development, market penetration and experience with leading organizations through turnarounds, mergers and acquisitions.

Mr. Cohn has been a director of the Company since 2002.

Other public company directorships: None held during the past five years.

Michael H. Joyce

Age: 70

Michael H. Joyce retired in July 2006 as President and Chief Operating Officer of Twin Disc, Inc., an international manufacturer and worldwide distributor of heavy-duty off-highway and marine power transmission equipment. Prior to joining Twin Disc in January 1991, Mr. Joyce was employed at Dana Corporation for 28 years, holding positions of increasing responsibility, including President of Dana s Fluid Products Division; Vice President and General Manager of Dana s Heavy Axle Division; and International Manager of Dana s Axle Division.

Mr. Joyce s extensive experience in management, engineering, sales/marketing, and international manufacturing provides the Board with expertise in the engine and power generation markets as well as practical knowledge and leadership for overseeing the Company s management.

Mr. Joyce has been a director of the Company since 2000.

Other public company directorships: Mr. Joyce served 15 years on the board of Twin Disc, Inc., from 1991 until his retirement as a director in July 2006. Mr. Joyce also served on the board of The Oilgear Company from 1998 until his retirement as a director in 2006.

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Board of Directors (continued)

James R. Rulseh

Age: 55

James Rulseh has served as the Chief Operating Officer, Tulip Corporation, a private manufacturing company, since October 2009. Prior to joining Tulip Corporation, Mr. Rulseh served in the following capacities for Modine Manufacturing Company, an NYSE listed company that is a diversified global leader in thermal management technology and solutions: Special Assistant to the Chief Executive Officer, from January 2009 to October 2009; Regional Vice President Americas, and an officer of Modine Manufacturing Company, from October 2007 to January 2009; Regional Vice President Asia and an officer of Modine Manufacturing Company, from November 2006 to October 2007; Group Vice President and an officer of Modine Manufacturing Company, from April 2001 to November 2006; Managing Director of the Automotive Business Unit of Modine Europe, from 1998 to March 2001. Prior to 1998, Mr. Rulseh had held various other positions with Modine beginning in 1977.

Mr. Rulseh s position as COO of Tulip Corporation and his extensive operational managerial experience at Modine Manufacturing Company provide him with significant insight and experience into the operations, challenges and complex issues facing major manufacturing corporations. Mr. Rulseh brings to the Board extensive senior executive level expertise in international manufacturing and business restructurings.

Mr. Rulseh has been a director of the Company since 2002.

Other public company directorships: Proliance International, Inc. (PLI), New Haven, CT (2005 July 2010) Member, Compensation and Nominating Committees.

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Board of Directors (continued)

Governance Documents

Woodward s policies and practices reflect corporate governance initiatives that are compliant with the listing requirements of The NASDAQ Stock Market, Inc. (NASDAQ), SEC rules and regulations, and the corporate governance requirements of the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act). Woodward maintains a corporate governance page on its website at http://www.woodward.com that can be accessed by clicking on Investor Information and then on Corporate Governance. Included on this site are the following documents adopted by our Board: a Message from our Chairman and Chief Executive Officer; the Woodward Constitution; our Director Guidelines; Executive/Director Stock Ownership Guidelines; charters for our Audit, Compensation, Executive, and Nominating and Governance Committees; the Woodward Codes of Business Conduct and Ethics for directors, officers, and members, including the Woodward Code of Ethics for Senior Financial Officers and Other Finance Members; the Business Conduct Oversight Committee charter; our policy relating to Insider Trades of Securities; and our Related Person Transaction Policies and Procedures.

Independent Directors

The Board has determined that each member of the Board, other than Mr. Gendron, is independent under the criteria established by SEC rules and regulations and NASDAQ listing requirements for independent board members. In addition, the Board has determined that each members of the Audit Committee meets the additional independence criteria required for audit committee membership established by SEC rules and regulations and NASDAQ listing requirements for audit committee membership.

Board Leadership Structure

Mr. Gendron currently serves as our Chairman of the Board and Chief Executive Officer. Because one individual serves as Chairman and CEO, the Board appoints an independent director to serve as Lead Director. Our current lead director is Mr. Joyce, who was appointed to that position by the Board in 2007. The independent Lead Director chairs separate meetings of the independent directors following regularly scheduled Board meetings. The duties and responsibilities of the independent Lead Director are set forth under the BOARD MEETINGS AND COMMITTEES LEAD DIRECTOR section below. The Board believes the combined Chairman/CEO position, together with an independent Lead Director has certain advantages over other board leadership structures and best meets the Company s current needs. Mr. Gendron s leadership as Chairman and CEO provides our Board with detailed and in-depth knowledge of the Company s strategy, markets, operations and financial condition and enhances our ability to communicate a clear and consistent strategy to our stockholders, employees and business partners. The current leadership structure differentiates the oversight role of the Lead Director and other independent Directors from the oversight role of the Chairman/CEO and other management.

The Board understands there is no single one-size fits all approach to providing Board leadership in the competitive and changing environment in which we operate. The optimal Board leadership structure may vary as circumstances warrant. At present, the Board believes its current structure effectively maintains independent oversight and management. Consistent with our Director Guidelines, the Board reviews and considers whether the positions of Chairman and CEO should be combined or separated as part of a regular review of the effectiveness of the Company s governance structure.

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Board Meetings and Committees

The Board met five times in fiscal 2010; all incumbent directors attended more than 80 percent of the aggregate of the total meetings of the Board and all committees of the Board on which they served. Directors are invited, but are not required, to attend annual meetings of stockholders. All directors attended the Company s last annual meeting of stockholders.

The Board has the following standing committees: Audit Committee; Compensation Committee; Nominating and Governance Committee; and Executive Committee. All actions by committees are reported to the Board at the next regularly scheduled meeting.

Committee Membership

Name	Audit	Compensation	Nominating and Governance	Executive
John D. Cohn		n		
Paul Donovan	n*			n
Thomas A. Gendron				n*
John A. Halbrook				n
Michael H. Joyce	n			n
Mary L. Petrovich		n		
Larry E. Rittenberg	n		n	
James R. Rulseh		n*	n	
Ronald M. Sega	n		n	
Michael T. Yonker		n	n*	n

* Chairman

Audit Committee

The Audit Committee oversees and monitors the Company s accounting and financial reporting processes, including the quality of internal controls over those processes and audits of the Company s financial statements and internal controls over financial reporting, and assists the Board of Directors with overseeing the Company s processes for monitoring compliance with laws and regulations and with the Company s various programs related to its codes of conduct. The Audit Committee produces an annual report relating to the compliance of the Company s financial statements with applicable rules and regulations and recommends to the Board of Directors, based on reviews and discussion with management and the Company s independent registered public accounting firm, that the audited financial statements of the Company be included in the Company s Annual Report on Form 10-K. The Audit

Committee also retains, oversees, and evaluates the Company s independent registered public accounting firm. The Audit Committee operates under a charter that more fully describes the responsibilities of the Audit Committee. The Audit Committee also reviews its charter at least annually and recommends to the Board of Directors such revisions as it deems necessary or appropriate. The Audit Committee charter is available for review on the Company s website at http://www.woodward.com/pdf/corp/AudCommCharter.pdf.

Consistent with SEC rules and regulations and NASDAQ s independent director and audit committee listing standards, and in accordance with the Audit Committee charter, all members of the Audit Committee are independent directors. The Board of Directors has determined that Messrs. Donovan, Joyce and Rittenberg are Audit Committee Financial Experts, as the SEC defines that term, and have experience resulting in financial sophistication as defined under NASDAQ listing requirements.

The Audit Committee meets as often as necessary to perform its duties and responsibilities. The Audit Committee held six meetings in fiscal 2010.

The Compensation Committee reviews and approves the compensation of all of our executive officers. The Compensation Committee has oversight responsibility for the Company s annual incentive plans, the Long-Term Management Incentive Compensation Plan, the 2002 Stock Option Plan, and the 2006 Omnibus Incentive Plan. The Compensation Committee determines and takes all action, including

granting of all
incentives
and/or stock
options to
eligible
Company

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Board Meetings and Committees (continued)

employees, in accordance with the terms of the plans. Consistent with NASDAQ s independent director listing requirements, and in accordance with the Compensation Committee charter, all members of the Compensation Committee are independent directors. The Compensation Committee reviews performance against targets for both the annual incentive compensation plan and the long-term incentive compensation plan.

The Compensation Committee regularly reviews the Company s compensation policies and practices. The Company also conducted a review of its compensation plans and related risk to the Company. The Company and the Committee have concluded that any risks arising from its employee compensation policies and practices are not reasonably likely to have a material adverse affect on the Company.

General

The principal responsibilities of the Compensation Committee are to, among other things, discharge the responsibilities of the Board relating to compensation of the Company s Chief Executive Officer and other executive officers, conduct an annual performance review of the Chief Executive Officer with input from the independent members of the Board, produce an annual report relating to the Company s Compensation Discussion and Analysis (CD&A), and recommend to the Board the inclusion of the CD&A in the Company s Annual Report on Form 10-K and its proxy statement. The Compensation Committee s written charter, which describes the specific duties of the Compensation Committee, is available on the Company s corporate website at http://www.woodward.com/pdf/corp/CompCommCharter.pdf.

The Compensation Committee meets as often as necessary to perform its duties and responsibilities. The Compensation Committee held four meetings in fiscal 2010. These meetings were held to review company and executive performance in fiscal 2010, and to receive and review information regarding compensation trends and competitive compensation information.

In making its decisions and completing its annual review of our Executive Compensation Program, the Compensation Committee routinely examines the following important business factors:

financial reports on performance versus budget and compared to prior year performance;

calculations and reports on levels of achievement of corporate performance objectives;

reports on the Company s strategic initiatives and budget for future periods;

information on the executive officers stock ownership and option holdings;

information regarding dilutive effects of the equity compensation plan;

data regarding the total compensation of our Chief Executive Officer, Chief Financial Officer, and our three other most highly compensated executive officers (our NEOs), including base salary, cash incentives, equity awards, and any perquisites;

information regarding compensation programs and compensation levels at our peer comparator group identified by our compensation consultant and described under the caption COMPENSATION DISCUSSION AND ANALYSIS COMPENSATION PHILOSOPHY AND STRATEGY COMPETITIVE COMPARISONS; and

the design and administration of the Company s compensation programs and equity compensation plans, and associated risks, if any.

Delegation of Authority

The Compensation Committee Charter provides authority to the Compensation Committee to delegate its role and responsibilities to subcommittees entirely made up of Compensation Committee members. The Compensation Committee has delegated to the Chairman of the Compensation Committee the authority to approve any and all option exercises when the optionee will pay for the cost of the option and/or the taxes associated with the transaction

Board Meetings and Committees (continued)

with stock previously owned and held by the optionee for at least six months. The Chairman of the Compensation Committee has been authorized to further delegate these responsibilities to any other member of the Compensation Committee.

The Compensation Committee s Interaction with Management

In order to design compensation programs that are aligned with appropriate Company performance goals and strategic direction, the Compensation Committee works closely with management, including the Chief Executive Officer, the Corporate Vice President, Human Resources, the Corporate Vice President and General Counsel and the Corporate Director, Global HR Support Services and Risk Management. Specifically, management facilitates the alignment process by:

providing compensation data to our executive compensation consultant for comparative benchmarking;

evaluating NEO performance (with the exception of our Chief Executive Officer);

making recommendations to the Compensation Committee regarding annual short-term incentive plan design and performance metrics; and

making recommendations to the Compensation Committee regarding the compensation of the NEOs (with the exception of the Chief Executive Officer) for base salary, annual short-term incentive compensation targets, long-term cash incentive compensation targets, and long-term equity compensation. The Chief Executive Officer s compensation, including base salary, is determined by the Compensation Committee, with guidance from our compensation consultant, relative to comparative market data, as well as measuring his performance against a defined process led by the Compensation Committee Chairman involving all independent Board members.

All decisions regarding executive compensation are ultimately made by the Compensation Committee.

The Company s Corporate Director, Global HR Support Services, works with the Compensation Committee Chair to establish the agenda for Compensation Committee meetings. At the Compensation Committee s request, the Chief Executive Officer regularly attends the meetings and provides background information regarding the Company s strategic objectives, evaluation of the performance of the executive officers, and compensation recommendations as to executive officers other than himself. The Compensation Committee may also seek input from the Corporate Vice President, Human Resources, and the Corporate Vice President and General Counsel, as necessary and appropriate, to carry out its duties. The Corporate Vice President, Human Resources, provides input on: executive compensation structure, performance assessment process and data, potential promotions, talent management and succession planning, and compensation associated with promotions.

Interaction with Compensation Consultants

In making its determinations with respect to executive compensation, the Compensation Committee has historically engaged the services of an independent compensation consultant. In fiscal 2010, the Compensation Committee retained the services of Hewitt Associates, Inc. (Hewitt) to assist with its review of the total compensation package of the NEOs.

The Compensation Committee retains Hewitt primarily to provide guidance for the executive compensation decision making process. Annually, Hewitt provides the Compensation Committee with a Management Compensation Analysis comparing the compensation for the NEOs to our compensation philosophy and the compensation philosophies of our peer comparator group for base salary, target bonus, target total cash, long-term cash and equity incentives, and target total compensation. In carrying out its assignment, the consultant may interact with members of management, including but not limited to the Chief Executive Officer, the Corporate Vice President, Human Resources, the Corporate Vice President and General Counsel, the Corporate Controller, and the Corporate Director, Global HR Support Services.

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Board Meetings and Committees (continued)

In addition to their services with respect to compensation for the NEOs, Hewitt acts as a global compensation and benefits consultant for the Company and provides total compensation data for all of the Management Incentive Plan (MIP) participants other than the NEOs. Management also utilizes Hewitt s benefits-related survey data with respect to compensation benchmarking for non-NEOs.

It is the Compensation Committee s and the Company s belief that the services provided by the consultant are independent and free from any conflict of interest. As a result of the interactions with the Compensation Committee and management, Hewitt has a well developed understanding of our business, and is well positioned to provide objective guidance on compensation and benefit plans that are aligned with, and reinforce, our strategies and goals.

Compensation Consultant Fees

For fiscal 2010, the Company paid Hewitt approximately $344,347 for advice and services provided to the Compensation Committee and the Company. Of this amount, approximately $147,687 was paid as a result of the work Hewitt performed for the Compensation Committee related to executive compensation advice and services, and $196,660 was paid as a result of the work Hewitt performed for the Company that was not related to executive compensation, including broad compensation benchmarking data applicable to Woodward employees outside the scope of executive compensation, including international benchmarking data and services; actuarial services for the Company s health and welfare plans; and other health and welfare consulting services.

The decision to use Hewitt for advice and services not related to executive compensation was made by management. While the Compensation Committee does not pre-approve these non-executive compensation services, it does annually review Hewitt s internal guidelines and practices designed to guard against conflicts and ensure the objectivity of advice, including the following practices:

Rigid enforcement of confidentiality requirements, code of conduct, and strict policy against investing in client organizations.

Multiservice client relationships are managed by separate professional account executives (where administrative services provided) or by other practice consultants.

Clearly defined engagements with compensation committees that are separate from any other services provided (executive compensation consulting will not be embedded in agreements for any other Hewitt consulting/administrative services).

Formal segregation of executive compensation services (and consultants) into separate business unit.

No incentives to cross-sell other services, and no rewards based on results other than for executive compensation practice.

Not offering more favorable financial terms for executive compensation consulting service to companies who also retain Hewitt for additional administrative or consulting services (no better and no worse).

Work only for board, compensation committee, and/or company do not represent individual executives in any capacity.

The Compensation Committee believes that advice and services Hewitt provided to the Company did not impact advice and services that Hewitt provided to the Compensation Committee on executive compensation matters.

The Nominating and Governance Committee recommends qualified individuals to fill any vacancies on the Board, develops and administers the Director Guidelines and the Company s corporate governance guidelines, establishes other guidelines, such as stock holding requirements for officers and directors, oversees the Company s program and policies related to its codes of conduct, and addresses other governance related matters. In accordance with SEC rules and

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Board Meetings and Committees (continued)

regulations, NASDAQ listing requirements, and the Nominating a
Governance Committee s charter, all members of the Nominating
Governance Committee are independent directors. The Nominatin
and Governance Committee meets as often as necessary to perfor
its duties and responsibilities. The Nominating and Governance
Committee held five meetings in fiscal 2010. The Nominating and
Governance Committee charter is available for review on the
Company s website at
http://www.woodward.com/pdf/corp/NomGovernCommCharter.p

The Executive Committee exercises all the powers and authority of the Board in the management of the business when the Board is not in session, and when, in the opinion of the Chairman of the Board, a particular matter should not be postponed until the next scheduled Board meeting. The Executive Committee may declare cash dividends. The Executive Committee may not authorize certain major corporate actions such as amending the Certificate of Incorporation, amending the Bylaws, adopting an agreement of merger or consolidation, or recommending the sale, lease, or exchange of substantially all of our assets. The Executive Committee meets as often as necessary to perform its duties and responsibilities. The Executive Committee held no meetings in fiscal 2010. The Executive Committee charter is available for review on the Company s website at http://www.woodward.com/pdf/corp/ExecCommChart.pdf.

The Nominating and Governance Committee considers candidates for Board membership as recommended by directors, management, or stockholders. The Nominating and Governance Committee uses the same criteria to evaluate all candidates for Board membership, whether recommended by directors, management, or stockholders. As it deems necessary, the Nominating and Governance Committee may engage consultants or third-party search firms to assist in identifying and evaluating potential nominees, although it did not engage any such third party consultant in fiscal 2010.

Director candidates are expected to be guided by the philosophy a
concepts as expressed in the Company s Constitution and to poss
the highest levels of personal and professional ethics, integrity,
values, and independence. Prospective directors should be commi
to representing the long-term interests of the stockholders. A
potential director must exhibit an inquisitive and objective
perspective, an ability to think strategically, an ability to identify
practical problems, and an ability to assess alternative courses of

action that contribute to the long-term success of the business. Director candidates must have industry expertise and/or commit to understanding the Company s industry as a basis to address strate and operational issues of importance to the Company.

Every effort is made to complement and supplement skills within Board and strengthen identified areas of need. The Nominating an Governance Committee considers relevant factors, as it deems appropriate, including the current composition of the Board and th need for expertise on various Board committees. The Nominating and Governance Committee considers the ability of candidates to meet independence and other requirements of the SEC or other regulatory bodies exercising authority over the Company. In assessing candidates, the Nominating and Governance Committee considers criteria such as education, experience, diversity, knowledge, and understanding of matters such as finance, manufacturing, technology, distribution, and other areas that are frequently encountered by a complex business. The Nominating a Governance Committee makes inquiries of prospective Board candidates about their ability to devote sufficient time to carry out their duties and responsibilities effectively, and whether they are committed to serve on the Board for a sufficient time to make significant contributions to the governance of the organization. In September 2010, the Board revised its Director Guidelines to prov that no individual will be nominated by the Board for re-election i such individual will achieve the age of 70 as of the annual stockholder meeting date of such re-election, unless the Board determines in its sole discretion that extraordinary circumstances exist that would support any such nomination.

The Nominating and Governance Committee evaluation normally requires one or more members of the Nominating and Governance Committee, and others as appropriate, to interview prospective nominees in person or by telephone. Upon identification of a qualified

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Board Meetings and Committees (continued)

candidate, the Nominating and Governance Committee will recommend a candidate for consideration by the full Board.

Stockholders wishing to suggest a candidate for Board membership should write our Corporate Secretary at P.O. Box 1519, 1000 E. Drake Road, Fort Collins, Colorado 80525 and include:

the stockholder s name and contact information;

a statement that the writer is a stockholder of record and is proposing a candidate for consideration by the Nominating and Governance Committee;

the name of, and contact information for, the candidate and a statement that the candidate is willing to be considered and serve as a director, if nominated and elected;

a statement of the candidate s business and educational experience;

information regarding the factors described above sufficient to enable the Nominating and Governance Committee to evaluate the candidate;

a statement of the value that the candidate would add to the board;

a statement detailing any relationship between the candidate and any of our customers, suppliers, or competitors; and

detailed information about any relationship or understanding between the proposing stockholder and the candidate.

In connection with its evaluation, the Nominating and Governance Committee may request additional information from the candidate or the recommending stockholder. The Nominating and Governance Committee has discretion to decide which individuals to recommend for nomination as directors. In order to give the Nominating and Governance Committee sufficient time to evaluate a recommended candidate, the recommendation should be received by our Corporate Secretary not later than the 120th calendar day before the one year anniversary of the date our proxy statement was mailed to stockholders in connection with the previous year s annual meeting of stockholders. No candidates for director nominations were submitted to the Nominating and Governance Committee by any stockholder in connection with the election of directors at this annual meeting.

The Board does not maintain a

formal diversity policy for its members. However, the Board meets periodically with the Nominating and Governance Committee to review Board composition for requisite knowledge, experience and diversity of background which, when taken together, ensures the Board possesses the skills and expertise necessary to effectively oversee the Company s business. In this regard, the Nominating and Governance Committee is committed to exercising best practices of corporate governance and recognizes the importance of a Board that contains diverse experience at policy-making levels in business, public service, education, and technology, as well as other relevant knowledge that contributes to the Company s global activities. The Board believes that diversity is an important component of Board membership, and is guided by the Company s Bylaws, Director Guidelines, and Constitution, which requires the Board to adhere to the philosophy and concepts, including respect for the dignity, worth and equality of all members. Mr. Joyce serves as Lead Director. The Lead Director chairs separate meetings of the independent directors, generally following each regularly scheduled Board meeting. Topics discussed are at the discretion of the independent directors. The Lead Director then meets with the Chief Executive Officer to review items discussed at the meeting. The Lead Director conducts a quarterly review of the Chief Executive Officer and communicates to the Chief Executive Officer his annual performance review as conducted by the Compensation Committee with input from the independent members of the Board of Directors. The Lead Director also communicates with the Chief Executive Officer on a regular basis to discuss any other Board matters or concerns, and acts as a liaison in that regard between the independent

members of
the Board and
the Chief
Executive
Officer.

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Board Meetings and Committees (continued)

Stockholder Communications with the Board of Directors

Stockholders may send communications to the Board by submitting a letter addressed to: Woodward Governor Company, Attn: Corporate Secretary, P. O. Box 1519, 1000 E. Drake Road, Fort Collins, Colorado 80525. The Board has instructed the Corporate Secretary to forward such communications to the Lead Director. The Board has also instructed the Corporate Secretary to review such correspondence and, at the Corporate Secretary s discretion, not to forward correspondence which is deemed of a commercial or frivolous nature or inappropriate for Board consideration. The Corporate Secretary may also forward the stockholder communication within the Company to the Chief Executive Officer and President or to another executive officer to facilitate an appropriate response. The Corporate Secretary will maintain a log of all communications from stockholders and the disposition of such communications for review by the directors at least annually. **Risk Oversight** The Board is responsible for overseeing management s identification and mitigation of Company risks, including but not limited to risks associated with our strategic plan, capital structure, development activities and compliance with government regulations. While the Board has the ultimate oversight responsibility for risk management processes, various committees of the Board composed entirely of independent directors also have responsibility for some aspects of risk management. The Board and its committees receive regular reports on risk management from Company management and independent auditors.

The Audit Committee is responsible for risks relating to the Company s financial statements, financial reporting processes, the evaluation of the effectiveness of internal control over financial reporting, and the Company s compliance with its financial and ethics policies.

The Compensation Committee is responsible for monitoring risks associated with the design and administration of the Company s compensation programs and equity compensation plans, and performs the annual performance review of the CEO. For 2010, the Compensation Committee reviewed its compensation policies and practices and did not identify any risks that are reasonably likely to have a material adverse effect on the Company.

The Nominating and Governance Committee oversees risks relating to the Company s corporate governance processes, compliance with the Sarbanes-Oxley Act, SEC and NASDAQ rules and regulations and other state and federal laws and regulations relating to corporate governance.

The Board and its committees have direct and independent access to management. We believe this division of risk management responsibilities is the most effective approach for addressing the risks that Woodward faces. The existing Board leadership structure encourages communication between the independent directors and management, including those as a result of discussions between the Lead Director and the Chairman of the Board and Chief Executive Officer. By fostering increased communication, we believe that the current Board leadership structure leads to the identification and implementation of effective risk management strategies. **Related Person Transaction Policies and Procedures** In November 2007, the Board adopted our Related Person Transaction Policies and Procedures (our RPT Policy), which provides that the Audit Committee will review and approve Interested Transactions (as described below). Our RPT Policy delegates the authority to act with respect to Interested Transactions that are valued below a stated threshold to the Chair of the Audit Committee. Our RPT Policy defines an Interested Transaction with reference to transactions described in Item 404 of Regulation S-K promulgated by the SEC, which generally means a transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness) or any series of similar transactions, arrangements or relationships or any material amendments or modifications thereto in which the Company (including any of its subsidiaries) was, is, or will be a participant and the amount involved exceeds $120,000, and in which any Related Person had, has, or will have a direct or indirect interest.

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Board Meetings and Committees (continued)

Related Person also is defined in our RPT Policy with respect to the definitions contained in Item 404 of Regulation S-K. Generally, Related Persons consist of any director or executive officer of the Company, any nominee for director, any holder of five percent or more of the Company s common stock, or any immediate family member of any such persons. Immediate family member means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of any such person, and any person (other than a tenant or employee) sharing the household of such person. It may also include entities with which any of such persons have a relationship.

The approval procedures in our RPT Policy state that the Audit Committee will take into account, among other factors it deems appropriate, whether the Interested Transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances. In addition, our RPT Policy states that, in connection with the approval or ratification of an Interested Transaction involving an outside director or nominee for director, the Audit Committee should consider whether such transaction would compromise such director s status as: (1) an independent director under NASDAQ s independence standards, (2) an outside director under Section 162(m) of the Internal Revenue Code, or a non-employee director under Rule 16b-3 under the Exchange Act, if such non-employee director serves on the Compensation Committee of the Board, or (3) an independent director under Rule 10A-3 of the Exchange Act, if such non-employee director serves on the Audit Committee of the Board. Our RPT Policy also identifies certain transactions that are deemed to be pre-approved, including transactions involving competitive bids, regulated transactions, and employee transactions.

Our RPT Policy is available for review on the Company s website at http://www.woodward.com/pdf/corp/RelatedPersonsTransactionPolicy.pdf.

Prior to November 2007, the Company s unwritten policy with respect to Related Person transactions was to evaluate and monitor Related Person transactions. Any such material transaction was required to comply with the Company s policies, including the Company s Codes of Business Conduct and Ethics, which addresses conflicts of interest, and any payments by the Company to a director s primary business affiliation or the primary business affiliation of an immediate family member of a director or officer for goods or services, or other contractual arrangements were required to be approved by the Audit Committee in accordance with the NASDAQ rules and be made in the ordinary course of business and on substantially the same terms as those prevailing at the time for comparable transactions with non-affiliated persons.

In 2002, we purchased a company named Leonhard Reglerbau Dr. Ing. Adolf Leonhard GmbH from Gerhard Lauffer in an arms-length transaction. At the time, Mr. Lauffer was unaffiliated with the Company. In connection with this acquisition, the parties negotiated lease agreements for property located in Stuttgart, Germany used by the acquired company but owned by an entity owned and controlled by Mr. Lauffer (the Lauffer Affiliate). Upon completion of this acquisition, Mr. Lauffer became an employee of the Company and is currently its President, Electrical Power Systems. The terms of the lease agreements were agreed upon by us at a time when Mr. Lauffer was not a Related Person of the Company and, therefore, our RPT policy was not applicable in connection with this transaction. In November 2007, the rental rates were renegotiated in accordance with the terms of the original lease agreements to reflect current market prices for similar properties in the vicinity. Following this renegotiation, the modified rental rates were approved by the Audit Committee in accordance with our RPT Policy. These modified rental rates resulted in payments to Mr. Lauffer in Euros of an amount equivalent to approximately USD $850,977.52 in fiscal 2010 under the lease agreements. One of the lease agreements expires in 2011 and the other expires in 2013; however, each lease agreement is automatically extended for additional five-year terms if not terminated by either party one year before the end of the then-current term. The rental rate under the lease agreements was to be reevaluated every three years but no such revaluation had occurred until November 2007. Because the rental rates were not reviewed in 2005 as provided in the lease agreements, the Company had agreed to reevaluate the rates to reflect any additional market changes in

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Board Meetings and Committees (continued)

March 2008, the six-year anniversary of this acquisition, and to thereafter reevaluate the rates every three fiscal years in accordance with the initial intent of the lease agreements. No amendments were made to the rates during March 2008 and the rental rates (in euros) currently remain unchanged from 2008 levels. All subsequent reevaluations and proposals for revised rental rates will be subject to approval in accordance with our RPT Policy.

Ms. Petrovich and Messrs. Rulseh, Cohn and Yonker served as members of the Compensation Committee during fiscal 2010. The Compensation Committee members have no interlocking relationships required to be disclosed under SEC rules and regulations.

We do not pay directors who are also Woodward employees additional compensation for their service as directors. In addition to reasonable expenses for attending meetings of the Board, non-employee directors received the following

compensation in
fiscal 2010:

Monthly Retainer	$ 3,000
Each Board Meeting Attended	$ 2,000
Telephonic Board Meetings	$ 500
Each Committee meeting attended Chairman	$ 2,500
Each Committee meeting attended all others	$ 1,500
Telephonic Committee meetings Chairman	$ 1,000
Telephonic Committee meetings all others	$ 500
Lead Director each independent director meeting	$ 2,500
Audit Committee Chairman additional monthly retainer	$ 750

The following table shows the compensation paid to the non-employee members of the Board during the fiscal year ended September 30, 2010:

Director	**Fees Paid in Cash ($)**	**Option Awards ($)(1)**	**Total ($)**
John D. Cohn	$ 52,000	$ 83,676	$ 135,676
Paul Donovan	$ 67,500	$ 83,676	$ 151,176
John A. Halbrook	$ 46,000	$ 83,676	$ 129,676
Michael H. Joyce	$ 66,000	$ 83,676	$ 149,676
Mary L. Petrovich	$ 52,000	$ 83,676	$ 135,676
Larry E. Rittenberg(2)	$ 58,500	$ 83,676	$ 142,176
James R. Rulseh	$ 61,000	$ 83,676	$ 144,676
Dr. Ronald M. Sega	$ 58,500	$ 83,676	$ 142,176
Michael T. Yonker	$ 60,500	$ 83,676	$ 144,176

(1)

On October 1, 2009, each non-employee director was awarded options to purchase 7,600 shares of Woodward common stock at $23.18 per share, the closing price of Woodward common stock on that date as quoted on The NASDAQ Global Select Market, under our 2006 Omnibus Incentive Plan (the 2006 Plan). These options vest at the rate of 25% per year. The amounts reported in the Option Awards column above represent the grant date fair value of the option awards in accordance with ASC 718. Assumptions used in calculating these amounts are included in Note 17 of Woodward s financial statements in its Annual Report on Form 10-K for the fiscal year ended September 30, 2010 filed with the SEC on November 18, 2010.

(2) In lieu of cash payments for his $3,000 monthly retainer fees (totaling $36,000 for fiscal 2010), Mr. Rittenberg has elected to receive shares of Woodward common stock from treasury with equivalent value.

Board Meetings and Committees (continued)

Option awards outstanding as of September 30, 2010 are as follows:

Director	Options Not Vested	Options Vested	Options Outstanding
John D. Cohn	13,300	22,000	35,300
Paul Donovan	13,300	3,800	17,100
John A. Halbrook	13,300	369,334	382,634
Michael H. Joyce	13,300	21,000	34,300
Mary L. Petrovich(l)	13,300	0	13,300
Petrovich Trust(l)	0	42,000	42,000
Larry E. Rittenberg	13,300	30,000	43,300
James R. Rulseh	13,300	21,000	34,300
Dr. Ronald M. Sega	10,450	950	11,400
Michael T. Yonker(2)	0	0	0
Yonker Trust(2)	13,300	30,000	43,300

(1) In fiscal 2010, Mrs. Petrovich transferred 42,000 vested options to the Petrovich Grantor Retained Annuity Trust 2010 No. 1 (the Petrovich Trust).

(2) In fiscal 2010, Mr. Yonker transferred 30,000 vested options and 13,300 unvested options to the Michael Timothy Yonker, Trustee for Michael Timothy Yonker 1995 Declaration of Trust dated March 16, 1995 (the Yonker Trust).

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Board Meetings and Committees (continued)

Stock Ownership of Management

Directors and Named Executive Officers

The following table shows how much Woodward common stock was beneficially owned, as of November 15, 2010, by each director, each named executive officer of the Company, and all directors and executive officers as a group:

Non-Employee Directors	Number of Shares(1)(2)	Percent(1)
John D. Cohn	44,775	*
Paul Donovan(3)	8,075	*
John A. Halbrook(4)	1,634,561	2.29%
Michael H. Joyce	38,327	*
Mary L. Petrovich	21,713	*
Petrovich Trust	42,000	*
Larry E. Rittenberg	48,569	*
James R. Rulseh	42,887	*
Ronald M. Sega	3,800	*
Michael T. Yonker	36,216	*
Yonker Trust	34,275	*
Named Executive Officers		
Thomas A. Gendron	1,173,003	1.65%
Robert F. Weber, Jr.	160,877	*
Dennis M. Benning	90,544	*
Martin V. Glass	233,529	*
Gerhard Lauffer	206,000	*
All directors and executive officers as a group (19 persons)	4,259,291	5.98%

* Less than one percent

(1) The number of shares outstanding for purposes of calculating the percentages shown includes shares (does not include fractional shares) allocated to participant accounts of named executive officers under the Woodward Governor Company Retirement Savings Plan (the Retirement Savings Plan). The Plan directs the Trustee to vote the shares allocated to participants accounts under the Woodward Stock Plan portion of the Plan as directed by such participants and to vote all allocated shares for which no timely instructions are received in the same proportion as the allocated shares for which instructions are received.

(2)

In addition, the number of shares outstanding for purposes of calculating the percentages shown includes a number of shares of our common stock that may be acquired by each person referenced through the exercise of options within 60 days of November 15, 2010 in accordance with the rules of the SEC. The below table summarizes all shares that may be acquired through the exercise of options within 60 days of November 15, 2010.

Table to footnote (2) above **Non-Employee Directors**	**Number of shares** **(see footnote (2) above)**
John D. Cohn	26,275
Paul Donovan	8,075
John A. Halbrook	232,275
Michael H. Joyce	25,275
Mary L. Petrovich	4,275
Petrovich Trust	42,000
Larry E. Rittenberg	34,275
James R. Rulseh	25,275
Ronald M. Sega	3,800
Michael T. Yonker	0
Yonker Trust	34,275
Named Executive Officers	
Thomas A. Gendron	912,750
Robert F. Weber, Jr.	149,250
Dennis M. Benning	89,000
Martin V. Glass	205,750
Gerhard Lauffer	148,000

(3) In addition to the 8,075 shares reflected above, Mr. Donovan previously gifted 9,012 shares to his wife, who shares Mr. Donovan s household. Mr. Donovan disclaims beneficial ownership of the shares held by his wife, who currently owns 9,028 shares of Woodward common stock.

(4) Includes 879,656 shares of Woodward common stock that are pledged in a standard margin account.

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Section 16(a) Beneficial Ownership Reporting Compliance

Based upon a review of our records, all reports required to be filed pursuant to Section 16(a) of the Securities Exchange Act of 1934 (the Exchange Act) were filed on a timely basis, with the exception of a late Form 4 filed by Woodward on behalf of Mr. Weber on May 7, 2010. The Form 4 related to Mr. Weber s pre-election to utilize a certain portion of investments in his Woodward Executive Benefit Plan to acquire phantom stock units under that plan.

Persons Owning More Than Five Percent of Woodward Stock

The following table shows how many shares of Woodward common stock were owned by each person known to us to own more than five percent of our common stock as of November 19, 2010.

	Ownership of Common Stock	
Principal Holders	**Number of Shares**	**Percent**
Royce & Associates, LLC 745 5th Avenue New York, New York 10151	5,322,428(1)(4)	7.78%
BlackRock, Inc. 40 East 52nd Street New York, New York 10022	4,060,681(2)(4)	5.94%
Woodward Governor Company Profit Sharing Trust P. O. Box 1519 1000 E. Drake Road Fort Collins, Colorado 80525	7,265,863(3)	10.62%

(1) Royce & Associates, LLC has stated in the most recent Form 13G filing with the SEC that it has sole investment power and sole voting power for the entire holding.

(2) BlackRock, Inc., has stated in the most recent Form 13G filing with the SEC that it has sole investment power and sole voting power for the entire holding.

(3) Shares owned by the Woodward Governor Company Profit Sharing Trust are held in the Retirement Savings Plan. Vanguard Fiduciary Trust serves as Trustee of the Profit Sharing Trust. JPMorgan Chase Bank, N.A. serves as custodian of the Retirement Savings Plan and holds the actual shares in a custodial account. All shares held in the Profit Sharing Trust are allocated to participant accounts. The Retirement Savings Plan directs the Trustee to vote the shares allocated to participant accounts under the Woodward Stock Plan portion of the Retirement Savings Plan as directed by such participants and to vote all allocated shares for which no timely instructions are received in the same proportion as the allocated

shares for which instructions are received.

(4) Stated number of shares owned based on filings with the SEC as of November 19, 2010 and reflects holdings as of December 31, 2009.

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Compensation Discussion and Analysis

2010 Overview

Our Executive Compensation Program has been designed to (1) provide a competitive total compensation program which enables us to attract, retain, and motivate a high-performance executive management team, and (2) link the total compensation program payouts to Company and individual performance. We believe that proper administration of this program should result in the development of a management team that improves our fundamental financial performance and provides value to the long-term interests of the Company and its stockholders.

Our Executive Compensation Program is based on the overall financial performance of the Company and is structured as a total compensation package comprised of the following elements:

- Base salary;
- Annual short-term incentives, and
- Long-term incentive compensation, which includes cash and equity components.

In addition, the compensation program for NEOs includes health and welfare benefits, a deferred compensation program, defined contribution plans, change of control arrangements, and other ancillary benefits.

The Compensation Committee, comprised entirely of independent directors, has oversight responsibilities for the compensation program administration, and all compensation decisions with respect to the NEOs are subject to Compensation Committee review and approval. In making these decisions, the Compensation Committee uses a market-based compensation model wherein the responsibility and accountability of the NEOs are compared to similar positions at companies in our peer comparator group. In addition, Hewitt, an executive compensation consulting firm engaged by the Compensation Committee, provides guidance throughout the entire process, including guidance regarding the selection of our peer comparator group and the level of base salary, annual short-term incentive compensation, and long-term incentive compensation.

Compensation Philosophy and Strategy

Our compensation philosophy is to establish total compensation packages such that, when our fundamental financial performance is at target levels, total compensation (base salary, annual short-term cash incentives, and long-term incentives) for each NEO is competitive with the 50th percentile market value total compensation for executives in comparable positions at companies in our peer comparator group.

We place a strong emphasis on variable compensation. Variable compensation plans (annual short-term incentives and long-term incentives) are designed so that the payout opportunity is directly linked to the achievement of pre-determined financial performance metrics, with upside opportunity for exceeding the pre-determined goals. We also use long-term incentives, including equity-based compensation, to align NEO and stockholder interests.

With each component of our Executive Compensation Program, we strive to align the interests of the NEOs with the interests of our stockholders in different ways, by focusing on both short-term and long-term performance goals, by promoting ownership of the Company, and by linking individual performance to our fundamental financial performance.

Competitive Comparisons

Our compensation programs are benchmarked to be competitive with our peer comparator group. Generally, companies in our peer comparator group are selected by the Compensation Committee, in consultation with Hewitt and management. These selections are made from the Hewitt Total Compensation Measurement database companies on the basis of competition for business or talent, global structure, level of operational complexity, similar revenue size, market capitalization, and manufacturing profile.

The Compensation Committee analyzes compensation decisions based on our peer comparator group as a whole and uses 50th percentile compensation data as a benchmark in determining our target compensation levels. In making these decisions and determinations, the Compensation Committee, in consultation with Hewitt and management, matches the NEOs with similarly positioned executives at companies in the peer comparator peer group. These matches facilitate pay comparisons based on functional matches, job duties, responsibilities, level of impact, and organizational level. The Compensation Committee uses the statistical methodology of regression analysis to bring comparator peer group revenues, and our corresponding target compensation levels, in alignment with our revenue. We use revenue for this analysis because we believe that revenue can be a proxy for the scope and complexity of the NEO position that is being compared.

Our peer comparator group identified below was used in fiscal 2010 to benchmark target compensation opportunities across each component of compensation, including base salary, annual short-term incentive compensation, and long-term incentive compensation

Compensation Discussion and Analysis (continued)

and, when considered in the aggregate, the total compensation for each NEO. No changes were made to our peer group when compared to the previous year.

Comparator Peer Group

Actuant Corporation	ESCO Technologies Inc.	MOOG Inc.
Ameron International Corporation	Flowserve Corporation	Rockwell Automation
Ametek, Inc.	FMC Technologies, Inc.	Rockwell Collins
AMSTED Industries Inc.	Goodrich Corporation	Roper Industries
BAE Systems, Inc.	Graco Inc.	Sauer-Danfoss Inc.
Brady Corporation	Hubbell Inc.	Thomas & Betts Corporation
Crane Co.	IDEX Corp.	Valmont Industries, Inc.
Curtiss-Wright Corp.	Joy Global Inc.	Waters Corporation
Donaldson Company, Inc.	Kaman Corporation	

For purposes of developing the performance metrics for determining the payout under the cash component of the Long-Term Incentive Plan (the LTIP), the Compensation Committee has approved a relative measure methodology wherein we compare our performance to the S&P Mid Cap 400, an external index, for performance cycles starting after fiscal 2009. For performance cycles prior to fiscal 2009, we used a relative measure methodology where our performance was compared to the S&P Small Cap 600. We believe that, for the cash component of the LTIP, the S&P Mid Cap 400 relative measure methodology is more appropriate as a benchmark of our performance against a larger and broader population of companies, which is representative of investment options available to the market. We believe that outperforming the benchmark should result in an increase in stockholder value.

Allocation Between Current and Long-Term Compensation

We use a mix of pay comparison analysis when reviewing our total compensation. This analysis reviews how pay is delivered at our Company relative to companies in our peer comparator group, in particular, the relationship between fixed and variable pay, and short-term and long-term compensation. The following table sets forth our pay mix in fiscal 2010:

	Pay Mix	
Base Salary	**Annual Short Term Incentive**	**Long-Term Incentive**
29%	21%	50%

We look to market practice in our peer comparator group as a guide for pay mix in order to minimize any recruiting disadvantages that may result from a pay structure that differs materially from outside opportunities. Accordingly, our pay mix in fiscal 2010 was relatively consistent with the companies in our peer comparator group. We believe it is important to provide a smaller portion of total compensation in a more stable form, such as base salary, and a more meaningful portion of total compensation tied to incentives which can fluctuate, up or down, based on our fundamental financial performance.

Allocation Between Cash and Non-Cash Compensation

Total compensation for NEOs in fiscal 2010 was allocated 64% to cash (base salary, annual short-term incentive and long-term incentive) elements and 36% to non-cash (stock options) elements. This allocation was the outcome of our analysis rather than a starting point, as we do not have a targeted allocation ratio between cash and non-cash elements for total compensation. Our fiscal 2010 allocation was influenced by two important factors:

our efforts to minimize the extent to which the interests of existing stockholders are diluted by equity used as compensation; and

our desire to align the majority of our variable compensation with our fundamental financial performance (on which management has a great deal of direct influence) rather than to changes in stock price (on which management has relatively less direct influence).

Elements of Compensation

Base Salary
Base salary is a standard compensation component we must pay to remain competitive in our industry. The Compensation Committee generally sets base salary and annual adjustments at levels considered appropriate for comparable NEO positions at companies in our peer comparator group. Base salaries are reviewed by the Compensation Committee on an annual basis in the fourth quarter of the fiscal year preceding the effectiveness of the change. Specifically, base salaries are reviewed and approved in September for an October effective date.

Compensation Discussion and Analysis (continued)

Using the statistical methodology of regression analysis described under the caption COMPENSATION PHILOSOPHY AND STRATEGY COMPETITIVE COMPARISONS, we target base salaries for the NEOs at the 50th percentile of our peer comparator group base salaries.

Quantitative data in our peer comparator group is used to determine the 50th percentile, but we may also use qualitative performance data and factors to adjust an NEO s base salary as a result of an individual NEO s performance, experience, responsibilities, management, leadership skills, and rate of increase from existing base. These qualitative factors are used to determine the appropriate placement in the salary range and the relationship between an NEO s base pay and the 50th percentile.

Base salary is found in the Summary Compensation Table in the Salary column.

Annual Short-Term Incentive Compensation

Annual short-term incentive compensation is provided through the Management Incentive Plan (MIP). Payout under the MIP is measured by our internal annual financial performance against pre-determined metrics. The MIP is designed to be competitive with compensation offerings in our peer comparator group and to align compensation with financial performance drivers that are intended to benefit stockholders. The MIP is approved each year during the Compensation Committee s September meeting, with the pre-determined metrics generally approved at its November meeting. For fiscal year 2010, the Board considered the MIP and related threshold metrics at the September 2009 meeting, which required that the Company s Earnings Per Share (EPS) in fiscal 2010 equals or exceeds the Company s adjusted EPS for the prior year, which was $1.57. However, based on a difficult and uncertain economic environment, the Compensation Committee also reserved final approval of any payout under the MIP until after the completion of fiscal 2010. As a result of year-over-year EPS performance ($1.59 EPS for 2010), the Compensation Committee, at its sole discretion, approved a payout of 26.67% of the target bonus, which is below the normal threshold of 40%. However, due to the magnitude of the Company s year-over-year performance, Mr. Gendron declined any bonus payout under the MIP for fiscal 2010.

The target and actual payouts for each NEO under the MIP are detailed in the following table:

NEO	Target as a % of Base Salary	2010 Actual Payout
Gendron	100%	$ 0(1)
Weber	60%	$ 57,607
Benning	55%	$ 48,416
Glass	55%	$ 47,746
Lauffer	55%	$ 47,795

(1) As stated above, Mr. Gendron declined any bonus payout under the MIP for fiscal 2010.

Long-Term Management Incentive Compensation

The long-term incentive compensation plan is a key component of the total compensation package. The 2006 Plan, which was approved by stockholders in January 2006, permits the grant of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Shares, Performance Units, Covered Employee Annual Incentive Awards, Cash-Based Awards, and Other Stock-Based Awards. To date, the Committee has authorized grants to NEOs of only nonqualified stock option equity awards and a multi-year cash based performance award.

The Company currently utilizes two primary components under the 2006 Plan: (1) stock options and (2) cash. These components are paid to offer competitive benefits to our executives and to align their interests with increasing stockholder value. The aggregate values of these components are aligned with the total value of the options (as determined using the Black-Scholes-Merton methodology) plus the target cash payout to provide the total long-term incentive compensation. The Compensation Committee s determination of total long-term compensation under the 2006 Plan uses the statistical method of regression analysis described under the caption Compensation Philosophy and Strategy Competitive Comparisons, and targets the 50th percentile of our peer comparator group for each NEO. Total long-term compensation may be adjusted by the Compensation Committee as a result of an individual NEO s performance, experience, responsibilities, management, and leadership skills.

With respect to stock option awards, the option price of the shares is determined at the date of the grant, which has been set forth as of October 1st of each grant year, and will not be less than the closing price as quoted on The NASDAQ Global Select Market on that day.

With respect to the cash opportunity, the Compensation Committee generally establishes three-year performance periods, and the 2011-2013 performance period cycle was established in September 2010. The Committee establishes the three-year performance cycle

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Compensation Discussion and Analysis (continued)

long-term cash based awards in the fourth quarter of the fiscal year preceding the first year of the performance cycle. The performance metrics for the multi-year plans were determined by the Compensation Committee to be:

Return on Capital (50% weight)

Growth in Earnings per Share (50% weight)

The performance metrics were selected and weighted equally based on important business measures for emphasis for the performance period and are typical of the peer comparator group.

For the purposes of measuring performance, return on capital is defined as net income, adjusted for accounting changes and after-tax interest expense, divided by the sum of total debt, stockholder s equity, and any non-controlling interest. EPS for this purpose is measured as net income, adjusted for accounting changes, divided by fully diluted common shares outstanding. EPS during the performance cycle is compared to a baseline EPS to calculate the growth in EPS during such cycle. There are currently three relevant cycles: 2008-2010 (basis is EPS for year ended 2007 of $1.39), 2009-2011 (basis is EPS for year ended 2008 of $1.75), 2010-2012 (basis is EPS for year ended 2009 of $1.37).

Company performance is measured relative to the performance of the companies in the comparison group using the S&P Small Cap 600 index for the 2008-2010 and 2009-2011 cycles, of which we were a member at the time these performance cycles started. As discussed previously, the Committee approved a change in our comparison group for future performance cycles starting with the 2010-2012 cycle, to the S&P Mid Cap 400, in conjunction with our placement in that index.

Payout in relation to our ranking within the S&P Small Cap 600 is as follows:

Performance	**Payout**
At 50th percentile	50% of target
At 60th percentile	100% of target
At 75th percentile	200% of target

The above payout formula applies to each measure weighted equally. If performance is below the 50th percentile, no award will be earned or paid as it relates to that measure. Award amounts are interpolated for performance results between the above percentiles. The maximum award that can be earned for performance at or above the 75th percentile is 200% of target as it relates to that measure.

The Compensation Committee established a reward target for each NEO, articulated as a percentage of base salary. These targets are based on market data for our peer comparator group for long-term incentive compensation. Targets and 2008-2010 actual payout for the cash component of LTIP are detailed in the following table:

NEO	**Cash Target LTIP Award as a % of**	**2008-2010 Actual**