Woodward, Inc.
Form DEF 14A
December 19, 2011

# 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 ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

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

þ Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material under Rule 14a-12

## WOODWARD, INC.

(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.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11

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

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ 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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Woodward, Inc.

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Fort Collins, Colorado 80525

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**WOODWARD, INC.**

**NOTICE OF 2011 ANNUAL MEETING OF STOCKHOLDERS**

**AND PROXY STATEMENT**

December 19, 2011

Dear Stockholder:

You are cordially invited to attend Woodward, Inc. s annual meeting of stockholders at 8:00 a.m., Mountain Standard Time, on Wednesday, January 25, 2012, 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, INC.

Thomas A. Gendron

Chairman, Board of Directors

## NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

**Important Notice Regarding the Availability of Proxy Materials for our Annual Meeting to be Held on January 25, 2012:**

This Proxy Statement and our Annual Report on Form 10-K for the fiscal year ended September 30, 2011, including consolidated financial statements, are available to you at www.proxydocs.com/wwd.

**The purpose of our Annual Meeting is to:**

Wednesday, January 25, 2012

8:00 a.m. MST

Hilton Fort Collins

425 West Prospect Road

Fort Collins, Colorado

1. Elect as directors the four nominees identified in this proxy statement, each to serve for a term of three years;

2. Ratify the appointment of Deloitte & Touche LLP as the Company s independent registered public accounting firm for the fiscal year ending September 30, 2012;

3. Vote on an advisory resolution regarding the compensation of the Company s named executive officers;

4. Reapprove material terms for qualified performance-based awards for Section 162(m) purposes under the Woodward 2006 Omnibus Incentive Plan; and

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

Stockholders who owned Woodward, Inc. common stock at the close of business on the record date, November 28, 2011, are entitled to vote at the meeting, or any postponement or adjournment thereof.

By Order of the Board of Directors,

WOODWARD, INC.

A. Christopher Fawzy

Corporate Secretary

December 19, 2011

**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, 2011, filed with the Securities and Exchange Commission ( SEC ) and available at its website at www.sec.gov. Please contact the Corporate Secretary, Woodward, Inc., 1000 E. Drake Road, Fort Collins, Colorado 80525 or email investor.relations@woodward.com. This report is also available at www.proxydocs.com/wwd.

## About the Annual Meeting and Voting

Woodward, Inc. ( 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 19, 2011, to all stockholders entitled to vote. The Woodward, Inc. Annual Report, which includes our financial statements, is being distributed with this proxy statement.

Stockholders who owned Woodward common stock at the close of business on the record date, November 28, 2011, are entitled to vote at the meeting. As of the record date, there were 68,936,667 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 four directors are standing for election, you will be entitled to four 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. The Board is not soliciting discretionary authority to cumulate votes with respect to the election of directors.

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 ratification of the appointment of Deloitte & Touche LLP as the Company s independent registered public accounting firm;**

**FOR the advisory resolution regarding the compensation of the Company s named executive officers; and**

**FOR the reapproval of material terms for qualified performance-based awards for Section 162(m) purposes under the Woodward 2006 Omnibus Incentive Plan.**

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 was printed, 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.

## 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 to the Board the four nominees for director identified in this proxy statement. Each director will be elected to a three-year term and will hold office until the 2014 Annual Meeting held in or about January 2015 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 four 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, 2012.

*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: Approval of Advisory Resolution Regarding the Compensation of the Named Executive Officers**

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

**Proposal 4: Reapproval of Material Terms for Qualified Performance-Based Awards for Section 162(m) Purposes Under the 2006 Plan**

*Material Terms of Performance Measures under the 2006 Plan:* At the annual meeting, you will be asked to reapprove the material terms for qualified performance-based awards made under the 2006 Plan for Section 162(m) purposes.

*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 reapproval of the material terms for qualified performance-based awards under the 2006 Plan for Section 162(m) purposes.

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

**Summary of Proposals Submitted for Vote** (continued)

**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, 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 resolution regarding the compensation of our named executive officers and the reapproval of the material terms for qualified performance-based awards under the 2006 Plan for Section 162(m) purposes. 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 the 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.**

## Board of Directors

**Board Composition**

On September 21, 2011, the Board increased the approved number of directors from ten to eleven and appointed Gregg C. Sengstack to serve as a director. The Board 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 four directors identified in this proxy statement as standing for election at the 2011 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 2015 or when a successor is elected and qualifies. The remaining directors identified in this proxy statement 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:

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

an understanding of the results of operations and financial condition of the Company;

an 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 2015:**

**Paul Donovan**

Age: 64

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 joining 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 markets 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. (1998 - 2010); CLARCOR, Inc. (since 2000).

**Thomas A. Gendron**

Age: 50

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: Hexcel Corporation (since 2010).

**Board of Directors** (continued)

**John A. Halbrook**

Age: 66

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. Mr. Halbrook served on the Compensation Committee and Nominating and Governance Committee from January 26, 2011 to December 2, 2011. Mr. Halbrook no longer serves on either such committee and the Board does not intend to appoint Mr. Halbrook to serve on any of the Audit Committee, Compensation Committee or Nominating and Governance Committee in the future.

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

**Ronald M. Sega**

Age: 58

Dr. Ronald M. Sega 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 is a Fellow of the American Institute of Aeronautics and Astronautics, as well as a Fellow of the Institute of Electrical and Electronics Engineers.

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

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

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

**Board of Directors** (continued)

**Directors Remaining in Office Until 2013:**

**John D. Cohn**

Age: 57

Mr. Cohn has served as Senior Vice President, Asia Business Planning and Execution, of Rockwell Automation, Inc., a global provider of innovative industrial automation and information products, services and solutions since September 1, 2011. In this capacity, Mr. Cohn supports development of 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 development and expansion opportunities to generate incremental revenue. Prior to accepting this position in August 2011, Mr. Cohn served as Senior Vice President, European Business Planning and Execution from March 2009 to August 2011, and 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: 71

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: Twin Disc, Inc. (1991-2006); The Oilgear Company (1998-2006).

**Board of Directors** (continued)

**James R. Rulseh**

Age: 56

James Rulseh is President of JRR & Associates, LLC, an independent manufacturing consulting company focused on operations improvement and operational leadership excellence. Prior to May 2011, Mr. Rulseh 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 experience 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) (2005 2010).

**Gregg C. Sengstack**

Age: 53

Gregg Sengstack was appointed to the position of President and Chief Operating Officer for Franklin Electric effective December 5, 2011. He previously held the positions of President of Franklin Electric s International Water Systems and Fueling Group since 2005, and Senior Vice President of Franklin Electric Company since 2004. Prior to this, Mr. Sengstack was Vice President and Chief Financial Officer for Franklin Electric, and has held various roles of increasing responsibility within Franklin Electric Company since 1988. Franklin Electric Company is a global manufacturer and distributor of groundwater and fuel pumping systems, composed primarily of submersible motors, pumps, electronic controls, and related equipment used in the petroleum equipment and water system industries. He has worked internationally in Europe, Asia, Africa, Latin America and the Middle East. Mr. Sengstack has a combination of finance, international and general management experience. Mr. Sengstack also brings to the Board a consensus-driven global leadership style and experience with Sarbanes-Oxley, corporate governance, finance and accounting issues.

Mr. Sengstack has been a director of the Company since September 2011.

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

**Board of Directors** (continued)

**Directors Remaining in Office Until 2014:**

**Mary L. Petrovich**

Age: 48

Mary Petrovich has been serving as a senior advisor to private equity with the Carlyle Group and American Security Partners since June 2011. Prior to this role, Ms. Petrovich served as General Manager of AxleTech International, a supplier of off-highway and specialty vehicle drive train systems and components, after 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: GT Advanced Technologies Inc. (since July 2011); Modine Manufacturing Company (since July 2011); WABCO (since November 2011).

**Larry E. Rittenberg**

Age: 65

Dr. Larry Rittenberg, PhD, CPA and CIA, has been Professor Emeritus at the University of Wisconsin since August 2011. He was the Ernst & Young Professor of Accounting & Information Systems at the University of Wisconsin until his retirement from that position in August 2011. Dr. Rittenberg has been on the faculty at the University since 1976, and served as the chair of the accounting department for 11 years. Dr. Rittenberg continues to teach 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.

**Board of Directors** (continued)

**Michael T. Yonker**

Age: 69

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 (since 1993); EMCOR Group, Inc. (since 2002); Proliance, Inc. (2005-2006).

## Governance Documents

Woodward s policies and practices reflect corporate governance initiatives that are compliant with the listing requirements of the NASDAQ Global Select Market ( 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 Investors 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; 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; our policy relating to Insider Trades of Woodward Stock; and our Related Person Transaction Policies and Procedures. Charters for our Audit Committee, Compensation Committee, Executive Committee, and Nominating and Governance Committee can be found by clicking on the Investors tab or the Board of Directors link on the Corporate Governance page, then clicking on the Board Committees link.

## 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 member 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 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 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.

## Board Meetings and Committees

The Board met six times in fiscal 2011; all incumbent directors attended 100 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. As part of its ongoing corporate governance review, the Board reassigned its committee memberships on December 2, 2011. The following table reflects the committee memberships as of the date of this proxy statement:

**Committee Membership**

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

* *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 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 oversees compliance of the Company s financial statements with applicable rules and regulations and recommends to the Board, 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 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/Charter-Audit-Committee.

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, Rittenberg, and Sengstack 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 five meetings in fiscal 2011.

**Board Meetings and Committees** (continued)

**Compensation Committee**

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 Plan. The Compensation Committee determines and takes all action, including granting of all incentives and/or stock options to eligible Company 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/Charter-Compensation-Committee.

The Compensation Committee meets as often as necessary to perform its duties and responsibilities. The Compensation Committee held five meetings in fiscal 2011. These meetings were held to review company and executive performance in fiscal 2011, 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 Company s officers and directors 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.

**Board Meetings and Committees** (continued)

***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 seeks to pay for the cost of the option and/or the taxes associated with the transaction 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 Committee has also delegated, to a subcommittee of not less than two independent directors, the authority to issue interim stock option grants for new hires, subject to the stock option pool for grants as identified and approved by the Committee in advance on an annual basis.

***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, General Counsel & Chief Compliance Officer, and the Corporate Director, Global HR Support Services. 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, General Counsel & Chief Compliance Officer, 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 2011, the Compensation Committee retained the services of Aon Hewitt (  Hewitt  ) to assist with its review of the total compensation package of the NEOs.

**Board Meetings and Committees** (continued)

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 & General Counsel, the Corporate Controller, and the Corporate Director, Global HR Support Services.

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 2011, the Company paid Hewitt approximately $552,283 for advice and services provided to the Compensation Committee and the Company. Of this amount, approximately $179,667 was paid as a result of the work Hewitt performed for the Compensation Committee related to executive compensation advice and services, and $372,616 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 non-executive employees, including international benchmarking data and services; and other health, welfare and retirement plan 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, a code of conduct, and a strict policy against investing in client organizations;
- multiservice client relationships are managed by separate professional account executives (where administrative services are 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 a 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 ); and

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

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

**Board Meetings and Committees** (continued)

**Nominating and Governance Committee**

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, reviews and reassesses the Company s program and policies related to its codes of conduct, and addresses other governance related matters. In accordance with SEC rules and regulations, NASDAQ listing requirements, and the Nominating and Governance Committee s charter, all members of the Nominating and Governance Committee are independent directors. The Nominating and Governance Committee meets as often as necessary to perform its duties and responsibilities. The Nominating and Governance Committee held three meetings in fiscal 2011. The Nominating and Governance Committee charter is available for review on the Company s website at http://www.woodward.com/Charter-Nominating-and-Governance-Committee.

**Executive Committee**

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 the assets of the Company. The Executive Committee meets as often as necessary to perform its duties and responsibilities. The Executive Committee held no meetings in fiscal 2011. The Executive Committee charter is available for review on the Company s website at http://www.woodward.com/Charter-Executive-Committee.

**Director Nomination Process**

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 2011.

Director candidates are expected to be guided by the philosophy and concepts as expressed in the Company s Constitution and to possess the highest levels of personal and professional ethics, integrity, values, and independence. Prospective directors should be committed 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 strategic and operational issues of importance to the Company.

Every effort is made to complement and supplement skills within the Board and strengthen identified areas of need. The Nominating and Governance Committee considers relevant factors, as it deems appropriate, including the current composition of the Board and the 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 and 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. Under the Director Guidelines, no individual will be nominated by the Board for re-election if 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.

**Board Meetings and Committees** (continued)

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 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 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.

**Board Composition and Diversity**

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.

**Lead Director**

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.

**Board Meetings and Committees** (continued)

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.

**Stockholder Communications With the Board of Directors**

Stockholders may send communications to the Board by submitting a letter addressed to: Woodward, Inc., Attn: Corporate Secretary, 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 2011, 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, and reviews and reassesses the adequacy of the Company s Codes of Business Conduct and Ethics.

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 the Company s 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

**Board Meetings and Committees** (continued)

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.

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/Related-Person-Transaction-Policy.

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 Woodward. 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. 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, the transaction was not considered under our RPT Policy. 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 $873,364.20 in fiscal 2011 under the lease agreements. One of the lease agreements automatically extended in 2011 for a period of five years to 2016 and the other expires in 2013. Each lease agreement automatically extends for additional five-year term 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. In 2008, the Company agreed to reevaluate the rates to reflect any additional market changes, and to thereafter reevaluate the rates every three fiscal years. No amendments were made to the rates in March 2008 or in March 2011, 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.

**Compensation Committee Interlocks and Insider Participation**

Ms. Petrovich and Messrs. Rulseh, Cohn, Halbrook and Yonker served as members of the Compensation Committee during fiscal 2011. The Compensation Committee members have no interlocking relationships required to be disclosed under SEC rules and regulations.

**Board Meetings and Committees** (continued)

**Director Compensation**

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 2011:

| | |
|---|---|
| Annual Retainer(1) | $ 55,000 |
| Each Board Meeting Attended | $ 1,500 |
| 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 annual retainer(1) | $ 9,000 |

(1) Annual retainers are paid in twelve equal monthly installments

The following table shows the compensation paid to the non-employee members of the Board during the fiscal year ended September 30, 2011:

| **Director** | **Fees Paid in Cash ($)** | **Option Awards ($)(1)** | **Total ($)** |
|---|---|---|---|
| John D. Cohn | $ 70,500 | $ 97,192 | $ 167,692 |
| Paul Donovan | $ 84,500 | $ 97,192 | $ 181,692 |
| John A. Halbrook | $ 70,500 | $ 97,192 | $ 167,692 |
| Michael H. Joyce | $ 83,000 | $ 97,192 | $ 180,192 |
| Mary L. Petrovich | $ 70,500 | $ 97,192 | $ 167,692 |
| Larry E. Rittenberg(2) | $ 73,500 | $ 97,192 | $ 170,692 |
| James R. Rulseh | $ 78,500 | $ 97,192 | $ 175,692 |
| Dr. Ronald M. Sega | $ 73,500 | $ 97,192 | $ 170,692 |
| Gregg C. Sengstack(3) | $ 1,528 | $ | $ 1,528 |
| Michael T. Yonker | $ 75,500 | $ 97,192 | $ 172,692 |

(1) On October 1, 2010, each non-employee director was awarded options to purchase 6,200 shares of Woodward common stock at $32.04 per share, the closing price of Woodward common stock on that date as quoted on NASDAQ, under our 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 19 of Woodward s financial statements in its Annual Report on Form 10-K for the fiscal year ended September 30, 2011 filed with the SEC on November 16, 2011.

(2) In lieu of cash payments for his 2011 annual retainer fees totaling $45,822 (paid in monthly installments), Mr. Rittenberg previously elected to receive shares of Woodward common stock from treasury of equivalent value pursuant to a written plan. On August 4, 2011, Mr. Rittenberg s written plan expired and subsequent monthly retainer fees to Mr. Rittenberg are paid in cash.

(3) Mr. Sengstack joined the Board on September 21, 2011 and the fees shown reflect a pro rata payment of the annual retainer.

Option awards outstanding as of September 30, 2011 are as follows:

| Director | Options Not Vested | Options Vested | Options Outstanding |
|---|---|---|---|
| John D. Cohn | 15,225 | 26,275 | 41,500 |
| Paul Donovan | 15,225 | 8,075 | 23,300 |
| John A. Halbrook | 15,225 | 232,275 | 247,500 |
| Michael H. Joyce | 15,225 | 25,275 | 40,500 |
| Mary L. Petrovich(1) | 15,225 | 46,275 | 61,500 |
| Larry E. Rittenberg | 15,225 | 34,275 | 49,500 |
| James R. Rulseh | 15,225 | 25,275 | 40,500 |
| Dr. Ronald M. Sega | 13,800 | 3,800 | 17,600 |
| Michael T. Yonker(2) | 15,225 | 34,275 | 49,500 |

(1) Ms. Petrovich beneficially owns 37,703 of her stock options through the Petrovich Grantor Retained Annuity Trust (the Petrovich GRAT ), of which Ms. Petrovich is the sole trustee, and 4,297 of her stock options through the Mary L. Petrovich Trust dated 5/14/2001 (the Petrovich Trust ), of which Ms. Petrovich is the sole trustee. In fiscal 2011, Ms. Petrovich transferred 4,297 vested options from the Petrovich GRAT to the Petrovich Trust.

(2) All stock options of Mr. Yonker are held beneficially by him through the Michael Timothy Yonker 1995 Declaration of Trust dated March 16, 1995 (the Yonker Trust ), of which Mr. Yonker is the sole trustee. In fiscal 2011, Mr. Yonker transferred 6,200 then unvested options to the Yonker Trust.

## Stock Ownership of Management

**Directors and Named Executive Officers**

The following table shows how much Woodward common stock was beneficially owned, as of November 10, 2011, 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 | 50,600 | * |
| Paul Donovan(3) | 22,929 | * |
| John A. Halbrook(4) | 1,629,248 | 2.29% |
| Michael H. Joyce | 44,152 | * |
| Mary L. Petrovich(5) | 71,530 | * |
| Larry E. Rittenberg | 55,902 | * |
| James R. Rulseh | 48,712 | * |
| Ronald M. Sega | 8,200 | * |
| Gregg Sengstack | 2,000 | * |
| Michael T. Yonker(6) | 76,316 | * |
| **Named Executive Officers** | | |
| Thomas A. Gendron | 1,121,182 | 1.65% |
| Robert F. Weber, Jr. | 188,004 | * |
| Dennis M. Benning (7) | 150,402 | * |
| Martin V. Glass | 257,960 | * |
| Gerhard Lauffer | 239,750 | * |
| Sagar Patel | 700 | * |
| All directors and executive officers as a group (19 persons) | 3,967,587 | 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 Retirement Savings Plan (the Retirement Savings Plan ). The Retirement Savings Plan directs the Trustee to vote the Woodward shares allocated to participants accounts as directed by such participants and to vote all 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 10, 2011 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 10, 2011.

| Table to footnote (2) above<br>Non-Employee Directors | Number of shares<br>(see footnote (2) above) |
|---|---|
| John D. Cohn | 32,100 |
| Paul Donovan | 13,900 |
| John A. Halbrook | 238,100 |
| Michael H. Joyce | 31,100 |

| | |
|---|---|
| Mary L. Petrovich(a) | 52,100 |
| Larry E. Rittenberg | 40,100 |
| James R. Rulseh | 31,100 |
| Ronald M. Sega | 8,200 |
| Michael T. Yonker(b) | 40,100 |
| **Named Executive Officers** | |
| Thomas A. Gendron | 915,750 |
| Robert F. Weber, Jr. | 175,625 |
| Dennis M. Benning | 148,500 |
| Martin V. Glass | 217,625 |
| Gerhard Lauffer | 171,250 |
| Sagar Patel | 0 |

(a) Includes 37,703 and 4,297 shares of Woodward common stock that may be acquired by Ms. Petrovich through the exercise of stock options held in the Petrovich GRAT and the Petrovich Trust, respectively.

(b) All stock options are held beneficially by Mr. Yonker through the Yonker Trust.

(3) 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 9,029 shares of Woodward common stock.

**Stock Ownership of Management** (continued)

(4) Includes 352,962 shares of Woodward common stock that are pledged in a standard margin account; 3,250 shares held in a joint account with Mr. Halbrook s son; 3,759 shares held jointly with Mr. Halbrook s mother and over which Mr. Halbrook holds power of attorney; 200,855 shares held in the Halbrook Family Foundation; 230,000 shares held in the Benita K. Halbrook Grantor Retained Annuity Trust, of which Mr. Halbrook is the trustee and his wife is the beneficiary; 5,000 shares held in the Benita K. Halbrook Living Trust, of which Mr. Halbrook and his wife are the trustees and his wife is the beneficiary; and 47,227 shares held in an individual retirement account. In addition, Mr. Halbrook beneficially owns 260,000 shares sold in 2011 to The Halbrook Family Irrevocable Trust (the Halbrook Family Trust Shares ), of which Mr. Halbrook s children are the beneficiaries and trustees without dispositive power with respect to these shares. The Halbrook Family Trust Shares were sold by Mr. Halbrook in exchange for a promissory note in the principal amount of $8,936,200, accruing interest at the rate of 1.5% per year.

(5) Includes 17,438 shares of Woodward common stock held in the Petrovich Trust, 1,992 shares of Woodward common stock held in an individual retirement account, and 42,000 shares of Woodward common stock held in the Petrovich GRAT and the Petrovich Trust pursuant to options exercisable within 60 days of November 10, 2011, as described above in footnote 2.

(6) All shares of Woodward common stock and all options to purchase shares of Woodward common stock, as described above in footnote 2, are held beneficially by Mr. Yonker through the Yonker Trust.

(7) Mr. Benning retired from the Company on May 31, 2011.

## 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 (1) a Form 4 filed by Woodward on behalf of Mr. Weber on January 18, 2011 related to his pre-election to utilize a certain portion of investments in his Woodward Executive Benefit Plan to acquire phantom stock units under that plan; (2) a Form 4 filed by Woodward on behalf Mr. John Halbrook on January 21, 2011 related to his pre-election to receive a distribution from the Woodward Executive Benefit Plan; and (3) a Form 4 filed by Woodward on behalf of Mr. Halbrook on May 13, 2011 related to estate planning transactions executed by Mr. Halbrook.

## 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 8, 2011:

| | Ownership of Common Stock | |
|---|---|---|
| **Principal Holders** | **Number of Shares** | **Percent** |
| Royce & Associates, LLC<br>745 5th Avenue<br>New York, New York 10151 | 4,696,724(1)(4) | 6.83% |
| BlackRock, Inc.<br>40 East 52nd Street<br>New York, New York 10022 | 4,277,464(2)(4) | 6.21% |
| Woodward Retirement Savings Plan<br>P. O. Box 1519<br>1000 E. Drake Road<br>Fort Collins, Colorado 80525 | 6,834,627(3) | 9.92% |

(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, 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 8, 2011 and reflects holdings as of December 31, 2010.

## Compensation Discussion and Analysis

**2011 Overview**

Our Executive Compensation Program has been designed to (1) provide a competitive total compensation program that enables us to attract, retain, and motivate a high-performance executive management team, and (2) link the total compensation program payouts to Company and stockholder interests. 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. The members of the Compensation Committee during fiscal year 2011 are set forth below under the heading Compensation Committee Report on Compensation Discussion and Analysis.

**Compensation Philosophy and Strategy**

Our compensation philosophy and strategy is to establish total compensation (base salary, annual short-term cash incentives, and long-term incentives) for each NEO that is competitive with 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 reward outcomes to our fundamental financial performance.

Considering Woodward s total compensation approach, which includes base pay and variable pay (annual incentive compensation and long-term incentive compensation), the actual performance for the year determines the payment outcome for that specific year.

**Consideration of Stockholder Say on Pay Vote**

In January 2011, Woodward s stockholders voted on an advisory resolution regarding the compensation of our named executive officers, which was approved by more than 93% of the votes cast on the proposal (the say on pay proposal ). These results demonstrated strong stockholder support for Woodward s overall executive compensation approach and the actions set forth in its 2010 proxy statement. In addition, in January 2011, Woodward s stockholders voted on an advisory resolution regarding the frequency of future say on pay proposals, with the option of an annual say on pay advisory vote receiving the support of more than 56% of the votes cast on the proposal. The Board resolved to submit to stockholders a say on pay proposal annually, and such proposal is submitted to stockholders for the 2011 annual meeting in Proposal 3 of this proxy statement. The Compensation Committee considered and will continue to consider the outcome of these advisory votes when considering future executive compensation arrangements

**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.

**Compensation Discussion and Analysis** (continued)

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 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 peer comparator 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.

**Compensation Decisions Compared to Market Data**

When determining total compensation opportunities for our executives, we give consideration to many influencing factors. These factors include: our compensation philosophy to set guiding principles and broad direction; external market data to provide a frame of reference for how typical companies in our size range set compensation opportunities; the nature and scope of the individual s role at Woodward compared to the benchmark job; the individual s performance, knowledge, skills, abilities and potential; and the accumulated impact on our retention efforts over the course of the individual s career.

We look at 50th percentile statistics when analyzing external market data because we believe it generally represents typical company practice. However, as a matter of strategy we do not target the 50th percentile or any percentile as a specific objective. Rather, our compensation decisions are based on the full consideration of all of the above mentioned elements that provide input into our deliberations. As an outcome of these deliberations, total compensation opportunity for an individual may therefore be at, above, or below 50th percentile market data. The following table describes for applicable NEOs any material variations from the market data that we utilized for each element of compensation and the total compensation of those NEOs:

| Named Executive Officer | Base Salary | Annual Incentive Value | Long-Term Incentive Value | Total Compensation Opportunity | Comments |
|---|---|---|---|---|---|
| Gendron | -8% | -4% | +35% | +16% | Reflects the Committee's decision for 2011 to de-emphasize fixed and/or discretionary compensation elements and instead emphasize performance-based long-term incentive opportunity in light of Mr. Gendron's effective leadership and the Company's strong financial position despite a challenging environment. |
| Weber | +1% | +7% | +28% | +14% | Decision to recognize Mr. Weber s higher level of impact and responsibility, as well as his substantial experience, advanced level of knowledge, skills and abilities relevant to his role, by positioning total compensation opportunity higher than 50th percentile, and to build ownership stake by delivering this higher compensation primarily in long-term incentive compensation for the purpose of retention and the alignment of Mr. Weber s interests with the long-term interests of Woodward s stockholders. |
| Benning | +2% | +0% | +26% | +11% | Differences based on his substantial experience and tenure in role. |

Our peer comparator group identified below was used in fiscal 2011 to benchmark target compensation opportunities across each component of compensation, including base salary, annual short-term incentive compensation, and long-term incentive compensation 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 companies in 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 companies within the S&P Small Cap 600.

**Compensation Discussion and Analysis** (continued)

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**

The following table sets forth our pay mix in fiscal 2011 for the NEOs:

| | **Pay Mix** | |
|---|---|---|
| **Base Salary** | **Annual Short Term Incentive** | **Long-Term Incentive** |
| 27% | | |