

WOODWARD GOVERNOR CO

Form DEF 14A

December 11, 2009

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

Filed by the Registrant

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))

- Definitive Proxy Statement

- Definitive Additional Materials

- Soliciting Material under Rule 14a-12

WOODWARD GOVERNOR COMPANY

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- 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:

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 - 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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**WOODWORD POSITIONED FOR THE FUTURE IN AEROSPACE & ENERGY BALANCE
PERFORMANCE GROWTH Woodward Governor Company ANNUAL MEETING OF
STOCKHOLDERS AND PROXY STATEMENT**

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Woodward Governor
Company
P.O. Box 1519
1000 E. Drake Road
Fort Collins, Colorado
80525
Tel: 970-482-5811
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**WOODWARD GOVERNOR COMPANY
NOTICE OF 2009 ANNUAL MEETING OF STOCKHOLDERS
AND PROXY STATEMENT**

December 11, 2009

Dear Stockholder:

You are cordially invited to attend Woodward Governor Company's annual meeting at 8:00 a.m., Mountain Standard Time, on Friday, January 22, 2010, at the Hilton Fort Collins located at 425 West Prospect Road, Fort Collins, Colorado. Registration for the meeting will be conducted in Salon 1 and 5. We invite you to join our directors and members of our management team for a continental breakfast at 7:15 a.m. The formal meeting will begin promptly at 8:00 a.m.

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

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

Sincerely yours,

WOODWARD GOVERNOR COMPANY

Thomas A. Gendron
Chairman, Board of Directors

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Important Notice Regarding the Availability of Proxy Materials for our Annual Meeting to Be Held on January 22, 2010:

This proxy statement and our Annual Report on Form 10-K for the fiscal year ended September 30, 2009, including consolidated financial statements, are available to you at <http://www.woodward.com>.

Friday, January 22, 2010

The purpose of our Annual Meeting is to:

8:00 a.m. MST

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

Hilton Fort Collins

2. Consider and act upon a proposal to ratify the appointment of Deloitte & Touche LLP as independent registered public accounting firm for the fiscal year ending September 30, 2010; and

425 West Prospect Road

Fort Collins, Colorado

3. Consider a stockholder proposal to eliminate the classification of the terms of the directors, if properly presented at the annual Stockholders meeting on January 22, 2010; and

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

Stockholders who owned Woodward Governor Company common stock at the close of business on the record date, November 24, 2009, are entitled to vote at the meeting, or any postponement or adjournment thereof.

By Order of the Board of Directors,

WOODWARD GOVERNOR COMPANY

A. Christopher Fawzy

Corporate Secretary

December 11, 2009

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, 2009, filed with the Securities and Exchange Commission (SEC) and available at its website at www.sec.gov. Please contact the Corporate Secretary, Woodward Governor Company, P. O. Box 1519, 1000 E. Drake Road, Fort Collins, Colorado 80525 or email investorrelations@woodward.com. This report is also available at www.woodward.com.

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About the Annual Meeting and Voting

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

We began mailing this proxy statement and the enclosed proxy card on or about December 11, 2009, to all stockholders entitled to vote. The Woodward Governor Company Annual Report, which includes our financial statements, is being sent with this proxy statement. The financial statements contained in the Woodward Governor Company Annual Report are not deemed material to the exercise of prudent judgment in regard to the matters to be acted upon at the annual meeting, and, therefore, are not incorporated by reference into this proxy statement.

Stockholders who owned Woodward common stock at the close of business on the record date, November 24, 2009, are entitled to vote at the meeting. As of the record date, there were 68,359,295 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, in which you may cumulate your votes. Since three directors are standing for election, you will be entitled to three director votes for each share of stock you own. Of this total, you may choose how many votes you wish to cast for each director.

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

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

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

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

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

AGAINST the stockholder proposal to eliminate the classification of the terms of the directors, if properly presented at the annual Stockholder s meeting on January 22, 2010.

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

You may revoke your proxy by:

entering a new vote by telephone, over the Internet, or by signing and returning another signed proxy card at a later date,

notifying our Corporate Secretary in writing before the meeting that you have revoked your proxy, or

voting in person at the meeting.

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

cross out the individuals named and insert the name of the individual you are authorizing to vote, or

provide a written authorization to the individual you are authorizing to vote along with your proxy card.

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Summary of Proposals Submitted for Vote

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

Proposal 1: Election of Directors

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

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

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

Independent Registered Public Accounting Firm: At the annual meeting, you will be asked to ratify the Audit Committee's appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for fiscal year ending September 30, 2010.

Vote Required: An affirmative vote by the holders of the majority of shares present at the meeting in person or by proxy will be required to ratify the Audit Committee's appointment of the independent registered public accounting firm.

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

Proposal 3: Stockholder proposal Regarding Annual Election of Directors

Eliminate the Classification of the Terms of Directors: At the annual meeting, a stockholder proponent will ask you to approve a stockholder resolution requesting the Board to take the steps necessary to eliminate the classification of the terms of the members of the Board to require that all directors stand for election annually. The proposal, if approved, would not be binding on the Board and thus may not result in the requested declassification of the Board.

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

The Board unanimously recommends that the stockholders vote AGAINST Proposal 3 above.

Quorum:

A quorum of stockholders is necessary to hold a valid meeting. The presence, in person or by proxy, at the meeting of holders of shares representing a majority of the votes of the common stock entitled to vote constitutes a quorum. Abstentions and broker non-votes are counted as present for establishing a quorum. A broker non-vote occurs when a broker votes on some matters on the proxy card but not on others because he or she is not permitted to vote on that item absent instruction from the beneficial owner of the shares and no instruction is given. Abstentions with respect to

matters other than the election of directors have the same effect as votes against a 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, including the election of directors and 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. We encourage you to provide instructions to your brokerage firm. This ensures your shares will be voted at the meeting. When a brokerage firm votes its customers' unvoted shares on routine matters, these shares are counted for purposes of establishing a quorum to conduct business at the meeting as described above. A brokerage firm, however, cannot vote customers' shares on non-routine matters, such as the stockholder proposal. Accordingly, these broker non-votes are considered not entitled to vote on non-routine matters, rather than as a vote against the matter.

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

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Board of Directors

Structure

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

Each of the three directors standing for election at the 2009 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 2013 or when a successor is elected and qualifies. Other directors are not standing for election at this meeting and will continue in office for the remainder of their respective terms.

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

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Board of Directors (continued)

PROPOSAL 1 ELECTION OF DIRECTORS

Directors Standing for Election at This Meeting for Terms Expiring in 2013:

John D. Cohn

Age: 55

Senior Vice President, European Business Planning and Execution, of Rockwell Automation, Inc., a global provider of industrial automation power, control, and information solutions. Other directorships: none.

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

Michael H. Joyce

Age: 69

Mr. Joyce retired as President and Chief Operating Officer of Twin Disc, Inc. on July 31, 2006. Other directorships: none. Mr. Joyce retired as a director of The Oilgear Company in December 2006.

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

James R. Rulseh

Age: 54

Chief Operating Officer, Tulip Corporation, a private manufacturing company, which he joined in October 2009. Prior to joining Tulip Corporation, Mr. Rulseh served as Regional Vice President Americas, of Modine Manufacturing Company. Other directorships: Proliance International, Inc.

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

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

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Board of Directors (continued)

Directors Remaining in Office Until 2011:

Mary L. Petrovich

Age: 46

General Manager of AxleTech International, a division of General Dynamics Corporation, following its acquisition of AxleTech in January 2009. Prior to the acquisition, Ms. Petrovich was the Chief Executive Officer of AxleTech. AxleTech is a supplier of off-highway and specialty vehicle drive train systems and components. Other directorships: none.

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

Larry E. Rittenberg

Age: 63

PhD, CIA, CPA, Ernst & Young Professor of Accounting & Information Systems at the University of Wisconsin. Mr. 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. Other directorships: none.

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

Michael T. Yonker

Age: 67

Retired President and Chief Executive Officer of Portec, Inc., which had operations in the construction equipment, materials handling, and railroad products industries. Other directorships: Modine Manufacturing Company, Inc. and Emcor Group, Inc. Mr. Yonker retired as a director of Proliance, Inc. in 2006.

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

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Board of Directors (continued)

Directors Remaining in Office Until 2012:

Paul Donovan

Age: 62

Retired Executive Vice President and Chief Financial Officer of Wisconsin Energy Corporation. Other directorships: AMCORE Financial, Inc. and CLARCOR, Inc.

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

Thomas A. Gendron

Age: 48

Chairman of the Board of the Company since January 23, 2008; Chief Executive Officer and President of the Company since July 1, 2005; previously served as President and Chief Operating Officer of the Company from September 2002 until July 1, 2005 and as Vice President, Industrial Controls from February 1999 until September 2002. Other directorships: none.

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

John A. Halbrook

Age: 63

Chairman of the Board of the Company until January 23, 2008; previously served as Chief Executive Officer of the Company until July 1, 2005. Other directorships: AMCORE Financial, Inc. and HNI Corporation.

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

Ronald M. Segal

Age: 56

Mr. Segal is Vice President for Energy, Environment, and Applied Research with the Colorado State University (CSU) Research Foundation. Prior to joining CSU, Mr. Segal served as Under Secretary for the U.S. Air Force. In addition, as a former

NASA astronaut, Mr. Sega is a two-time shuttle veteran. Other directorships:
Rentech, Inc.

Mr. Sega has been a director since April 2008.

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Board of Directors (continued)

Governance Documents

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

Independent Directors

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

Table of Contents**Board Meetings and Committees**

The Board met ten times in fiscal 2009; all incumbent directors attended more than 80 percent of the aggregate of the total meetings of the Board and all committees of the Board on which they served. Directors are invited, but are not required, to attend annual meetings of stockholders. All directors attended the Company's last annual meeting of stockholders.

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

Committee Membership

Name	Audit	Compensation	Executive	Nominating and Governance
John D. Cohn		n		
Paul Donovan	n*		n	
Thomas A. Gendron			n*	
John A. Halbrook			n	
Michael H. Joyce	n		n	
Mary L. Petrovich(1)		n		
Larry E. Rittenberg	n			n
James R. Rulseh		n*		n
Ronald M. Sega(2)	n			n
Michael T. Yonker		n	n	n*

(1) Ms. Petrovich served as a member of the Audit Committee for the first four months of the fiscal year.

(2) Mr. Sega was appointed to the Audit Committee in January 2009.

* Chairman

Audit Committee

The Audit Committee oversees and monitors the Company's accounting and financial reporting processes, including the quality of internal controls over those processes and audits of the Company's financial statements and internal controls over financial reporting, and assists the Board of Directors with overseeing the Company's processes for

monitoring compliance with laws and regulations and its codes of conduct. The Audit Committee produces an annual report relating to the compliance of the Company's financial statements with applicable rules and regulations and recommends to the Board of Directors 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 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 annually and recommends to the Board of Directors such revisions as it deems necessary. The Audit Committee charter is available for review on the Company's website at <http://www.woodward.com/pdf/corp/AudCommCharter.pdf>.

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

The Audit Committee meets as often as necessary to perform its duties and responsibilities. The Audit Committee held five meetings in fiscal 2009.

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 plan,
the Long-Term
Management
Incentive
Compensation
Plan, the 2002
Stock Option
Plan, and the
2006 Omnibus
Incentive Plan.
The
Compensation
Committee
determines and
takes all

action,
including
granting of all
incentives
and/or stock
options to
eligible
Company
employees, in
accordance
with the terms
of the plans.
Consistent
with Nasdaq's
independent

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Board Meetings and Committees (continued)

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.

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 officers, 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 proxy statement. The Compensation Committee's written charter, which describes the specific duties of the Compensation Committee, is available on the Company's corporate website at <http://www.woodward.com/pdf/corp/CompCommCharter.pdf>.

The Compensation Committee meets as often as necessary to perform its duties and responsibilities. The Compensation Committee held five meetings in fiscal 2009. These meetings were held to review company and executive performance in fiscal 2009, and to receive and review information regarding compensation trends and competitive compensation information.

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

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

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

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

- information on the executive officers' stock ownership and option holdings;

- information regarding equity compensation plan dilution;

- 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 perquisites; and

- 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.

Delegation of Authority

The Compensation Committee Charter provides authority to the Compensation Committee to delegate its role and responsibilities to subcommittees entirely made up of Compensation Committee members. The Compensation Committee has delegated to the Chairman of the Compensation Committee the authority to approve any and all option exercises when the optionee will pay for the cost of the option and/or the taxes associated with the transaction with stock previously owned and held by the optionee for at least six months. The Chairman of the Compensation Committee may further delegate the responsibilities to any other member of the Compensation Committee.

The Compensation Committee's Interaction with Management

In order to design compensation programs that are aligned with appropriate Company performance goals and strategic direction, the Compensation Committee works closely with management, including the Chief Executive Officer, the Corporate Director, Global HR Support

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Board Meetings and Committees (continued)

Services, the Corporate Vice President, Human Resources, and the Corporate Vice President and General Counsel. Specifically, management will facilitate 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 target compensation, 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 Compensation Committee and Board expectations.

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 senior executive officers, and compensation recommendations as to senior executive officers other than himself. The Compensation Committee may also seek input from the Corporate Vice President, Human Resources, and the Corporate Vice President and General Counsel, as necessary and appropriate, to carry out its duties. The Corporate Vice President, Human Resources, provides input on: executive compensation structure, performance assessment process and data, potential promotions, potential re-organizations, 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 2009, the Compensation Committee retained the services of Hewitt Associates, Inc. (Hewitt) to assist with its review of the compensation package of the NEOs.

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

Hewitt additionally 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.

Table of Contents**Board Meetings and Committees** (continued)**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 our assets. The Executive Committee meets as often as necessary to perform its duties and responsibilities. The Executive Committee held no meetings in fiscal 2009. The Executive Committee charter is available for review on the Company's website at <http://www.woodward.com/pdf/corp.ExecCommChart.pdf>.

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, and establishes other guidelines, such as stock holding requirements for officers and directors. 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 two meetings in fiscal 2009. The Nominating and Governance Committee charter is available for review on the Company's website at <http://www.woodward.com/pdf/corp/NomGovernCommCharter.pdf>.

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 such a third party consultant in fiscal 2009. Director candidates are expected to be guided by the philosophy and concepts of human and industrial association 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. 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. 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 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

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Board Meetings and Committees (continued)

committed to serve on the Board for a sufficient time to make significant contributions to the governance of the organization. Generally, candidates should be under the age of 70.

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 P.O. Box 1519, 1000 E. Drake Road, Fort Collins, Colorado 80525 and include:

the stockholder's name and contact information;

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

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

a statement of the candidate's business and educational experience;

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

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

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

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

In connection with its evaluation, the Nominating and Governance Committee may request additional information from the candidate or the recommending stockholder. The Nominating and Governance Committee has discretion to decide which individuals to recommend for nomination as directors. In order to give the Nominating and Governance Committee sufficient time to evaluate a recommended candidate, the recommendation should be received by our Corporate Secretary not later than the 120th calendar day before the one year anniversary of the date

our proxy statement was mailed to stockholders in connection with the previous year's annual meeting of stockholders. No candidates for director nominations were submitted to the Nominating and Governance Committee by any stockholder in connection with the election of directors at this annual meeting.

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. Stockholders may send communications to the Board by submitting a letter addressed to: Woodward Governor Company, Attn: Corporate Secretary, P. O. Box 1519, 1000 E. Drake Road, Fort Collins, Colorado 80525.

The Board has instructed the Corporate Secretary to forward such communications to the Lead Director. The Board has also instructed the Corporate Secretary to review such correspondence and, at the Corporate Secretary's discretion, not to forward correspondence which is deemed of a commercial or frivolous nature or inappropriate for Board

consideration. The Corporate Secretary may also forward the stockholder communication within the Company to the Chief Executive Officer and President or to another executive officer to facilitate an appropriate response.

The Corporate Secretary will maintain a log of all communications from stockholders and the disposition of such communications for review by the directors at least annually.

Table of Contents**Board Meetings and Committees** (continued)**Related Person Transaction****Policies and Procedures**

In November 2007, the Board adopted our Related Person Transaction Policies and Procedures (our RPT Policy), which provides that the Audit Committee will review and approve Interested Transactions (as described below). Our RPT Policy delegates the authority to act with respect to Interested Transactions that are valued below a stated threshold to the Chair of the Audit Committee. Our RPT Policy defines an Interested Transaction with reference to transactions described in Item 404 of Regulation S-K promulgated by the SEC, which generally means a transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness) or any series of similar transactions, arrangements or relationships or any material amendments or modifications thereto in which the Company (including any of its subsidiaries) was, is, or will be a participant and the amount involved exceeds \$120,000, and in which any Related Person had, has, or will have a direct or indirect interest. Related Person also is defined in our RPT Policy with respect to the definitions contained in Item 404 of Regulation S-K. Generally, Related Persons consist of any director or executive officer of the Company, any nominee for director, any holder of five percent or more of the Company's common stock, or any immediate family member of any such persons. Immediate family member means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of any such person, and any person (other than a tenant or employee) sharing the household of such person. It may also include entities with which any of such persons have a relationship. The approval procedures in our RPT Policy state that the Audit Committee will take into account, among other factors it deems appropriate, whether the Interested Transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances. In addition, our RPT Policy states that, in connection with the approval or ratification of an Interested Transaction involving an outside director or nominee for director, the Audit Committee should consider whether such transaction would compromise such director's status as: (1) an independent director under Nasdaq's independence standards, (2) an outside director under Section 162(m) of the Internal Revenue Code, or a non-employee director under Rule 16b-3 under the Exchange Act, if such non-employee director serves on the Compensation Committee of the Board, or (3) an independent director under Rule 10A-3 of the Exchange Act, if such non-employee director serves on the Audit Committee of the Board. Our RPT Policy also identifies certain transactions that are deemed to be pre-approved, including transactions involving competitive bids, regulated transactions, and employee transactions. Our RPT Policy is available for review on the Company's website at <http://www.woodward.com/pdf/corp/RelatedPersonsTransactionPolicy.pdf>. Prior to November 2007, the Company's unwritten policy with respect to Related Person transactions was to evaluate and monitor Related Person transactions. Any such material transaction was required to comply with the Company's policies, including the Company's Codes of Business Conduct and Ethics, which addresses conflicts of interest, and any payments by the Company to a director's primary business affiliation or the primary business affiliation of an immediate family member of a director or officer for goods or services, or other contractual arrangements were required to be approved by the Audit Committee in accordance with the Nasdaq rules and be made in the ordinary course of business and on substantially the same terms as those prevailing at the time for comparable transactions with non-affiliated persons. In 2002, we purchased a company named Leonhard Reglerbau Dr. Ing. Adolf Leonhard GmbH from Gerhard Lauffer in an arms-length transaction. At the time, Mr. Lauffer was unaffiliated with the Company. In connection with this acquisition, the parties negotiated lease agreements for property located in Stuttgart, Germany used by the acquired company but owned by an entity owned and controlled by Mr. Lauffer (the Lauffer Affiliate). Upon completion of this acquisition, Mr. Lauffer became an employee of the Company and is currently its President, Electrical Power Systems. The terms of the lease agreements were agreed upon by us at a time

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Board Meetings and Committees (continued)

when Mr. Lauffer was not a Related Person of the Company and, therefore, our RPT policy was not applicable in connection with this transaction. In November 2007, the rental rates were renegotiated in accordance with the terms of the original lease agreements to reflect current market prices for similar properties in the vicinity. Following this renegotiation, the modified rental rates were approved by the Audit Committee in accordance with our RPT Policy. These modified rental rates resulted in payments to Mr. Lauffer in Euros of an amount equivalent to approximately USD \$892,420 in fiscal 2009 under the lease agreements. One of the lease agreements expires in 2011 and the other expires in 2013; however, each lease agreement is automatically extended for additional five-year terms if not terminated by either party one year before the end of the then-current term. The rental rate under the lease agreements was to be reevaluated every three years but no such reevaluation had occurred until November 2007. Because the rental rates were not reviewed in 2005 as provided in the lease agreements, the Company had agreed to reevaluate the rates to reflect any additional market changes in March 2008, the six-year anniversary of this acquisition, and to thereafter reevaluate the rates every three years in accordance with the initial intent of the lease agreements. No amendments were made to the rates during fiscal 2008. Since the rental rates currently remain unchanged from 2008 levels, we anticipate similar levels of payment to Mr. Lauffer in Euros in fiscal 2010 as occurred in fiscal 2009. All subsequent reevaluations and proposals for revised rental rates will be subject to approval in accordance with our RPT Policy.

Ms. Petrovich,
Messrs. Rulseh,
Cohn and
Yonker served
as members of
the
Compensation
Committee
during fiscal
2009. The
Compensation
Committee
members have
no interlocking
relationships
required to be
disclosed under
SEC rules and
regulations.
We do not pay
directors who

are also
Woodward
employees
additional
compensation
for their service
as directors. In
addition to
reasonable
expenses for
attending
meetings of the
Board,
non-employee
directors
received the
following
compensation in
fiscal 2009:

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

The following table shows the compensation paid to the non-employee members of the Board during the fiscal year ended September 30, 2009:

Director	Fees Paid in Cash (\$)	Option Awards \$(1)	Total (\$)
John D. Cohn	\$ 61,576	\$ 29,830	\$ 91,406
Paul Donovan	\$ 70,000	\$ 29,830	\$ 99,830

John A. Halbrook	\$ 48,500	\$ 29,830	\$ 78,330
Michael H. Joyce	\$ 70,500	\$ 29,830	\$ 100,330
Mary L. Petrovich	\$ 56,000	\$ 29,830	\$ 85,830
Larry E. Rittenberg	\$ 59,000	\$ 29,830	\$ 88,830
James R. Rulseh	\$ 61,500	\$ 29,830	\$ 91,330
Ronald M. Segal	\$ 57,500	\$ 29,830	\$ 87,330
Michael T. Yonker	\$ 59,500	\$ 29,830	\$ 89,330

Table of Contents**Board Meetings and Committees** (continued)

(1) On November 24, 2008, each non-employee director was awarded options to purchase 3,800 shares of Woodward common stock at \$18.67 per share, the closing price of Woodward common stock on that date as quoted on The Nasdaq Global Select Market, under our 2006 Omnibus Incentive Plan (the "2006 Plan"). These options vest at the rate of 25% per year. Stock options granted to directors prior to fiscal 2007 vested 100% after one year. The amounts in this column reflect the dollar amount recognized for financial statement reporting purposes for the fiscal year ended September 30, 2009, in accordance with authoritative accounting guidance for Share-Based Payments of option awards under the 2006 Plan and the 2002 Stock Option Plan (the "2002 Plan") and thus include amounts from awards granted in and prior to 2009. Assumptions used in the calculation of these amounts are described in footnote 17 to the Company's audited financial statements for the fiscal year ended September 30, 2009 included in the Company's Annual Report on Form 10-K filed with the SEC on November 20, 2009. The full grant date fair value of each option awarded in 2008, based on the assumptions discussed under the Summary Compensation Table below, without regard to when the award was recognized for financial reporting purposes, is equal to \$7.85.

Option awards outstanding as of September 30, 2009 are as follows:

Director	Options Not Vested	Options Vested	Options Outstanding
John D. Cohn	8,075	19,625	27,700
Paul Donovan	8,075	1,425	9,500
John A. Halbrook	8,075	915,625	923,700
Michael H. Joyce	8,075	18,625	26,700
Mary L. Petrovich	8,075	39,625	47,700
Larry E. Rittenberg	8,075	27,625	35,700
James R. Rulseh	8,075	18,625	26,700
Ronald M. Sega	3,800	0	3,800
Michael T. Yonker	8,075	27,625	35,700

Stock Ownership of Management**Directors and Named Executive Officers**

The following table shows how much Woodward common stock was beneficially owned, as of November 14, 2009, by each director, each named executive officer of the Company, and all directors and named executive officers as a group:

Number

Non-Employee Directors	of Shares(1)	Percent(1)
John D. Cohn	39,500	*
Paul Donovan(2)	3,800	*
John A. Halbrook	2,146,085	3.03%
Michael H. Joyce	34,052	*
Mary L. Petrovich	58,940	*
Larry E. Rittenberg	42,487	*
James R. Rulseh	38,612	*
Ronald M. Sega	950	*
Michael T. Yonker	66,216	*
Named Executive Officers		
Thomas A. Gendron	1,027,592	1.45%
Robert F. Weber, Jr.	124,888	*
Dennis M. Benning	72,140	*
Martin V. Glass	237,679	*
Gerhard Lauffer	146,500	*
All directors and named executive officers as a group (14 persons)	4,039,441	5.70%

* Less than one percent.

- (1) The number of shares outstanding for purposes of calculating the percentages shown includes shares (does not include fractional shares) allocated to participant accounts of named executive officers under the Woodward Governor Company Retirement Savings Plan. In addition, the number of shares outstanding for purposes of calculating the percentages shown includes a number of shares of our common stock which may

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Board Meetings and Committees (continued)

be acquired by each person referenced through the exercise of options within 60 days of November 14, 2009 in accordance with the rules of the SEC. The below table summarizes shares that may be exercised within 60 days of November 14, 2009.

- (2) In addition to the 3,800 shares reflected above, Mr. Donovan previously gifted 9,012 shares to his