

ESTERLINE TECHNOLOGIES CORP
Form DEF 14A
February 02, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

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 § 240.14a-12

Esterline Technologies Corporation

(Name of Registrant as Specified In Its Charter)

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

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NOTICE OF ANNUAL MEETING AND PROXY STATEMENT

ESTERLINE TECHNOLOGIES CORPORATION

500 108th Avenue NE

Bellevue, Washington 98004

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held March 7, 2007

To the Shareholders of Esterline Technologies Corporation:

NOTICE IS HEREBY GIVEN that the 2007 annual meeting of shareholders for ESTERLINE TECHNOLOGIES CORPORATION, a Delaware corporation (the Company), will be held on Wednesday, March 7, 2007, at 10:00 a.m., at the Harbor Club - Bellevue, Bellevue, Washington, for the following purposes:

(1) to elect four directors of the Company;

(2) to transact such other business as may properly come before the meeting or any adjournment or postponement thereof. The Board of Directors has fixed the close of business on January 8, 2007, as the record date for determination of shareholders entitled to notice of and to vote at the meeting or any adjournment or postponement thereof.

The Company's Annual Report for fiscal year 2006 is enclosed for your convenience.

By order of the Board of Directors

ROBERT D. GEORGE

Vice President,

Chief Financial Officer,

Secretary and Treasurer

February 2, 2007

Your vote is important. Please sign and date the enclosed proxy card and return it promptly in the enclosed envelope to ensure that your shares will be represented at the annual meeting. Holders of a majority of the outstanding shares entitled to vote must be present either in person or by proxy for the meeting to be held. If you attend the meeting and vote your shares personally, any previous proxies will be revoked.

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

To Be Held March 7, 2007

This proxy statement, which is first being mailed to shareholders on or about February 2, 2007, has been prepared in connection with the solicitation by the Board of Directors of Esterline Technologies Corporation (the Company) of proxies in the accompanying form to be voted at the 2007 annual meeting of shareholders of the Company to be held on Wednesday, March 7, 2007, at 10:00 a.m., at the Harbor Club Bellevue, 777 108th Avenue NE, Bellevue, Washington, and at any adjournment or postponement thereof. The Company's principal executive office is at 500 108th Avenue NE, Bellevue, Washington 98004.

The cost of this solicitation will be borne by the Company. In addition to solicitation by mail, officers and employees of the Company may, without additional compensation, solicit the return of proxies by telephone, telegram, messenger, facsimile transmission or personal interview. Arrangements may also be made with brokerage houses and other custodians, nominees and fiduciaries to send proxies and proxy material to their principals, and the Company may reimburse such persons for their expenses in so doing. Furthermore, the Company has retained MacKenzie Partners, Inc. to provide proxy solicitation services for a fee of \$5,000, plus reimbursement of its out-of-pocket expenses.

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

- (1) Signing, dating and promptly mailing the proxy card in the enclosed postage-paid envelope;
- (2) Accessing the Internet website <http://www.melloninvestor.com/isd> and following the instructions provided on the website; or
- (3) Calling 1-800-370-1163 and voting by following the instructions provided on the phone line.

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

The Board of Directors has fixed the close of business on January 8, 2007, as the record date for determining the holders of common stock of the Company (the Common Stock) entitled to notice of and to vote at the annual meeting. The Common Stock is listed for trading on the New York Stock Exchange (ESL). At the close of business on the record date there were outstanding and entitled to vote 25,572,476 shares of Common Stock, which are entitled to one vote per share on all matters which properly come before the annual meeting.

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

The inspector of elections will also tabulate the votes cast by proxy or in person at the annual meeting. If a quorum is present at the annual meeting, the four candidates receiving the highest number of affirmative votes will be elected. In a plurality election, such as this, abstentions have no effect, since approval by a percentage of the shares present or outstanding is not required. Shareholders are not entitled to cumulate votes in electing directors.

Brokers who hold shares for the accounts of their clients may vote such shares either as directed by their clients or, in the case of uninstructed shares, in their own discretion if permitted by the stock exchange or other organization of which they are members. Certain types of proposals are non-discretionary, however, and brokers who have received no instructions from their clients do not have discretion to vote such uninstructed shares on those items. Broker non-votes occur when a person holding shares through a bank or brokerage account does not provide instructions as to how his or her shares should be voted, and the broker does not exercise discretion to vote those shares on a particular matter. At this year's meeting, brokers will have discretion to vote uninstructed shares on the election of directors. Broker non-votes are counted as present for the purpose of determining the presence of a quorum for the transaction of business, but are not counted as shares voting. Thus, broker non-votes can have the effect of preventing approval of certain proposals where the number of affirmative votes, though a majority of the votes cast, does not constitute a majority of the required quorum. Broker non-votes will have no effect on the vote relating to election of directors because broker non-votes will not be considered votes cast or shares entitled to vote at the meeting.

ELECTION OF DIRECTORS

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

In June 2006, the Board of Directors increased the authorized number of directors of the Board to ten, elected Paul V. Haack to fill the vacancy created by the expansion and, in accordance with the Company's Restated Certificate of Incorporation, classified Mr. Haack into the class of directors whose term expires at the 2007 annual meeting. In December 2006, Ross J. Centanni, a member of the class of directors whose term expires at the 2009 annual meeting, resigned from the Board for personal reasons. In connection with Mr. Centanni's resignation, the Board decreased the authorized number of directors to nine. Following the election of Mr. Haack and the resignation of Mr. Centanni, there are four directors in the class of directors whose term expires at the 2007 annual meeting (the 2007 Class), three directors in the class of directors whose term expires at the 2008 meeting and two directors in the class of directors whose term expires at the 2009 meeting (the 2009 Class). In accordance with the Company's Restated Certificate of Incorporation, which provides that the Board classes be as equal as possible, effective following the 2007 annual meeting of shareholders, the decrease in the authorized number of directors will be allocated to the 2007 Class such that upon expiration of his term at the 2007 annual meeting and if re-elected, Mr. Haack will serve in the 2009 Class. The other current directors whose terms expire at the 2007 annual meeting are John F. Clearman, Charles R. Larson and Jerry D. Leitman. Accordingly, at the 2007 annual meeting, one director will be elected to serve a two-year term expiring at the 2009 meeting or when a successor is elected and qualified, and three directors will be elected to serve a three-year term expiring at the 2010 annual meeting or when a successor is elected and qualified.

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

Information as to each nominee and each director whose term will continue after the 2007 annual meeting is provided below. Unless otherwise instructed, it is the intention of the persons named in the accompanying proxy to vote shares represented by properly executed proxies FOR the election of the nominees named below. The Board of Directors knows of no reason why any of the nominees will be unable or unwilling to serve. If any nominee becomes unavailable to serve, the Board of Directors intends for the persons named as proxies to vote for the election of such other persons, if any, as the Board of Directors may recommend.

Nominee to the class of directors whose term will expire at the 2009 annual meeting:

Paul V. Haack

Senior Partner (Retired), Deloitte & Touche LLP. Age 55.

Prior to 2006, Mr. Haack was a Senior Partner with Deloitte & Touche LLP (a public accounting firm) on the Boeing and United Airlines accounts in their Chicago office, having held such positions since 2001 and 2002, respectively. Prior to that time, he was a Lead Partner with Deloitte & Touche LLP on the Boeing account in the Seattle office since 1998. He is also a director of SonoSite, Inc. He has been a director of the Company since 2006.

Nominees to the class of directors whose term will expire at the 2010 annual meeting:

John F. Clearman

Special Advisor to the Board (Retired), Milliman USA. Age 69.

Prior to January 2003, Mr. Clearman was a Special Advisor to the Board of Milliman USA (an actuarial consulting firm), having held such position since August 2001. From October 1998 through July 2001, he was the Chief Financial Officer of Milliman USA. He is also a director for several other companies including Oberto Sausage, Inc., Washington Federal Savings, Inc., Barclay Dean Interiors, Pacific Northwest Title and WestFarm Foods. He has been a director of the Company since 1989.

Charles R. Larson

Admiral (Retired), United States Navy. Age 70.

Since retiring from the U.S. Navy in 1998, Admiral Larson has served as a consultant on a broad array of defense, international and domestic policy issues to government and industry. He is also a director of EDGE Technologies, Northrop Grumman Corporation, and Via Global Group LLC. Since September 2004, he has been a consultant for Via Finance LLC (a finance and services company). He has been a director of the Company since 2004.

Jerry D. Leitman

Chairman (Retired), FuelCell Energy, Inc. Age 64.

Mr. Leitman was the Chairman of the Board of FuelCell Energy, Inc. (a fuel cell company) from January 2006 to January 2007. Previously, he was Chairman and Chief Executive Officer of FuelCell Energy, Inc. since September 2005 and Chairman, President and Chief Executive Officer since June 2002. Prior to that time, he was the President and Chief Executive Officer of FuelCell Energy, Inc. from August 1997. He has been a director of the Company since 1998.

Continuing directors:

Lewis E. Burns

President and Chief Executive Officer (Retired), Dover Industries, Inc. Age 68.

Prior to January 2005, Mr. Burns was a Director/Consultant of Dover Industries, Inc. (a diversified manufacturing company), having held such positions since July 2003. Prior to that time, he was President, Chief Executive Officer and Director of Dover Industries, Inc. since 1985. He has been a director of the Company since 2003, and his current term expires in 2008.

Robert S. Cline

Chairman and Chief Executive Officer (Retired), Airborne Freight Corporation. Age 69.

Prior to January 2003, Mr. Cline was the Chairman and Chief Executive Officer of Airborne Freight Corporation (an air express company), having held such positions since 1984. He is also a director of Safeco Corporation. He has been a director of the Company since 1999, and his

current term expires in 2009.

Robert W. Cremin

Chairman, President and Chief Executive Officer, Esterline Technologies Corporation. Age 66.

Mr. Cremin has been Chairman since January 2001. In addition, he has served as Chief Executive Officer and President since January 1999 and September 1997, respectively. He has been a director of the Company since 1998, and his current term expires in 2008.

Anthony P. Franceschini

Director, President and Chief Executive Officer, Stantec Inc. Age 55.

Mr. Franceschini has been the Director, President and Chief Executive Officer of Stantec Inc. (a global design firm) since June 1998. He has been a director of the Company since 2002, and his current term expires in 2008.

James L. Pierce

Chairman (Retired), ARINC Incorporated. Age 70.

Prior to March 2004, Mr. Pierce was the Chairman of ARINC Incorporated (a transportation and systems engineering solutions provider), having held such position since 1994. He was also the Chief Executive Officer of ARINC Incorporated from 1994 until December 2001. He has been a director of the Company since 2003, and his current term expires in 2009.

OTHER INFORMATION AS TO DIRECTORS

Director Compensation

During fiscal 2006 until September 2006, the Company paid, in cash, each non-employee director an annual retainer fee of \$20,000 for services on the Board and Board Committees, a fee of \$1,200 for each Board meeting attended in person and a fee of \$600 for each telephonic meeting in which they participated. In addition, the Company paid each non-employee director a fee of \$1,000 per Committee meeting attended in person and a fee of \$500 per telephonic Committee meeting attended. On June 8, 2006, the Board of Directors approved, based on the Compensation Committee's recommendation, increases to the compensation to be paid to the Company's non-employee directors, which became effective in September 2006. Under the terms of the updated non-employee director compensation program, the annual cash retainer paid to each non-employee director increased from \$20,000 to \$30,000, the cash compensation paid to each non-employee director increased from \$1,200 to \$1,500 for attending Board meetings in person, from \$1,000 to \$1,500 for attending Committee meetings in person, from \$600 to \$750 for attending telephonic Board meetings and from \$500 to \$750 for attending telephonic Committee meetings.

The chairman of the Audit Committee received an additional annual fee of \$7,500, and the chairman of each of the other Committees received an additional annual fee of \$5,000. The Lead Independent Director received an additional annual fee of \$10,000. These fees will remain the same for fiscal 2007. All stipends and meeting attendance fees are paid quarterly in arrears. The Company also reimburses non-employee directors for reasonable expenses incurred in attending Board and Committee meetings.

In addition, the Company paid each non-employee director compensation in the form of an annual issuance of \$45,000 worth of fully-paid Common Stock pursuant to the Company's Amended and Restated Non-Employee Directors' Stock Compensation Plan. The value of stock compensation to be paid to non-employee directors will be increased from \$45,000 to \$60,000 effective in fiscal 2007 and will continue to be paid in the form of an annual issuance of fully-paid Common Stock of the Company under the Company's Amended and Restated Non-Employee Directors' Stock Compensation Plan. Employees of the Company serving on the Board or Committees received no additional compensation for such service.

Board and Board Committees

There were four meetings of the Board of Directors during fiscal 2006. During fiscal 2006, each director attended at least 78% of the total number of meetings of the Board of Directors and Board committees of which he was a member.

Non-management directors meet in executive session on a regular basis, generally at each scheduled Board meeting. The Chairman of the Board, if a non-management director, presides over the executive sessions. Since the Chairman of the Board is an employee of the Company, the Lead Independent Director, John F. Clearman, presides. In addition, the Audit Committee has adopted the practice of reserving time at each meeting to meet without members of Company management present. The Compensation Committee and the Nominating & Corporate Governance Committee also have adopted a similar practice of meeting periodically without members of Company management present.

The Board of Directors currently does not have a policy with regard to director attendance at the Company's annual shareholders meeting; however, it schedules the first quarter meeting of the Board of Directors on the same date as the annual shareholders meeting. All of the Company's directors attended the annual shareholders meeting in 2006.

Board Independence. The Board has reviewed the relationships between the Company and each director and has determined that a majority of the directors are independent for purposes of the NYSE corporate governance listing standards. In accordance with these listing standards, the Board adopted its own set of specified criteria, identified in the Company's Corporate Governance Guidelines which are posted on the Company's website at <http://www.esterline.com/governance>, to assist it in determining whether any relationship between a director and the Company impairs independence. Using the adopted criteria, the Board affirmatively determined that all of the directors, other than Mr. Cremin, are independent under the NYSE listing standards. Mr. Cremin does not meet NYSE independence listing standards due to his current position as Chairman, President and Chief Executive Officer of the Company. The Board's adopted set of specified criteria relating to director independence is attached to this proxy statement as Annex A.

The Audit Committee currently consists of Messrs. Cline (Chairman), Franceschini, Haack, Larson and Pierce, each of whom is independent in accordance with applicable rules promulgated by the Securities and Exchange Commission (SEC) and NYSE listing standards. The Audit Committee selects and retains the independent registered public accounting firm to audit the Company's annual financial statements, approves the terms of the engagement of the independent registered public accounting firm and reviews and approves the fees charged for audits and for any non-audit assignments. The Board of Directors has adopted a written charter for the Audit Committee, a copy of which is attached to this proxy statement as Annex B and posted on the Company's website at <http://www.esterline.com/governance>. The Audit Committee's responsibilities also include, among others, overseeing (1) the integrity of the Company's financial statements, which includes reviewing the scope and results of the annual audit by the independent registered public accounting firm, any recommendations of the independent registered public accounting firm resulting therefrom and management's response thereto and the accounting principles being applied by the Company in financial reporting, (2) the Company's compliance with legal and regulatory requirements, (3) the independent registered public accounting firm's qualifications and independence, (4) the performance of the Company's internal auditors and the independent registered public accounting firm, and (5) such other related matters as may be assigned to it by the Board of Directors. The Audit Committee met ten times during 2006.

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

The Compensation Committee currently consists of Messrs. Leitman (Chairman), Burns and Clearman, each of whom is independent in accordance with applicable NYSE listing standards. The Compensation Committee develops, evaluates and recommends to the Board for its approval corporate goals and objectives relevant to the compensation of the Chief Executive Officer, evaluates the Chief Executive Officer in light of the corporate goals and objectives, recommends the form and level of compensation for officers of the Company and is responsible for performing the other related responsibilities set forth in its written charter, which is posted on the Company's website at <http://www.esterline.com/governance>. The Compensation Committee also administers the Company's stock option plans and incentive compensation plans for senior corporate management, which includes recommending amendments to such plans. The Compensation Committee met four times during 2006.

The Executive Committee currently consists of Messrs. Cremin (Chairman), Clearman, Franceschini and Leitman, reviews situations that might, at some future time, become items for consideration of the entire Board of Directors and acts on behalf of the entire Board of Directors between its meetings. The Executive Committee did not meet during 2006.

The Nominating & Corporate Governance Committee currently consists of Messrs. Burns (Acting Chairman), Cline and Franceschini, each of whom is independent in accordance with applicable NYSE listing standards. The Nominating & Corporate Governance Committee recommends director candidates to the entire Board, oversees the evaluation of the Board of Directors and Company management, develops and monitors corporate governance principles, practices and guidelines for the Board of Directors and the Company, and is responsible for performing the other related responsibilities set forth in its written charter, which is posted on the Company's website at <http://www.esterline.com/governance>. The Nominating & Corporate Governance Committee met four times during 2006.

The Technology Committee currently consists of Messrs. Pierce (Chairman) and Larson. The Technology Committee reviews and makes recommendations to the Board of Directors regarding business and technology acquisition opportunities, monitors and evaluates the execution and performance of significant new product and technology launches, and monitors and evaluates the Company's research and development programs. The Technology Committee met seven times during 2006.

Director Nominations and Qualifications

In accordance with the Company's By-Laws, as amended and restated, any shareholder entitled to vote for the election of directors at the annual meeting may nominate persons for election as directors at the 2008 annual shareholders meeting only if the Corporate Secretary receives written notice of any such nominations no earlier than October 8, 2007 and no later than November 6, 2007. Such nominations should be sent to: Esterline Technologies Corporation, Attn: Corporate Secretary, 500 108th Avenue NE, Suite 1500, Bellevue, WA 98004. Any shareholder notice of intention to nominate a director shall include:

the name and address of the shareholder;

a representation that the shareholder is entitled to vote at the meeting at which directors will be elected;

the number of shares of the Company that are beneficially owned by the shareholder;

a representation that the shareholder intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice;

the following information with respect to the person nominated by the shareholder:

name and address;

other information regarding such nominee as would be required in a proxy statement filed pursuant to applicable rules promulgated by the SEC, and

a description of any arrangements or understandings between the shareholder and the nominee and any other persons (including their names), pursuant to which the nomination is made; and

the consent of each such nominee to serve as a director if elected.

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The Chairman of the Board, other directors or senior management of the Company may also recommend director nominees. The Nominating & Corporate Governance Committee will evaluate recommended director nominees, including those that are submitted to the Company by a shareholder, taking into consideration certain criteria such as business and community service skills and experience, policy-making experience, record of accomplishments, personal integrity and high moral responsibility, capacity to evaluate strategy and reach sound conclusions and current Board composition. In addition, prospective directors must have time available to devote to Board activities and be able to work well with the Chief Executive Officer and other members of the Board.

Mr. Haack, a new nominee to the Company's Board of Directors, was nominated by the Chief Executive Officer and the Chairman of the Nominating & Corporate Governance Committee, a non-management director. The Company did not receive any shareholder nominations for director to be considered by the Nominating & Corporate Governance Committee for the 2007 annual shareholders meeting.

Shareholder Communications with the Board

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

Email: boardofdirectors@esterline.com

Mail: Board of Directors
Attn: Lead Independent Director or Corporate Secretary
Esterline Technologies Corporation
500 108th Avenue NE, Suite 1500
Bellevue, WA 98004

Shareholders should clearly specify in each communication the name of the individual director or group of directors to whom the communication is addressed. Shareholder communications sent by email are delivered directly to the Lead Independent Director and to the Corporate Secretary, who will promptly forward such communications to the specified director addressees. Shareholder communications sent by mail will be promptly forwarded by the Corporate Secretary to the specified director addressee or, if such communication is addressed to the full Board of Directors, to the Chairman of the Board and the Lead Independent Director, who will promptly forward such communication to the full Board of Directors. Shareholders wishing to submit proposals for inclusion in the proxy statement relating to the 2008 annual shareholders meeting should follow the procedures specified under "Shareholder Proposals for 2008" below. Shareholders wishing to nominate or recommend directors should follow the procedures specified under "Other Information as to Directors' Director Nominations and Qualifications" above.

CODE OF ETHICS

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

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding beneficial ownership of shares of Common Stock as of January 8, 2007 by (i) each person or entity who is known by the Company to own beneficially more than 5% of the Common Stock, (ii) each of the Company's directors, (iii) each of the Company's named executive officers and (iv) all directors and executive officers of the Company as a group.

Name and Address of Beneficial Owner (1)	Amount and Nature of Beneficial	
	Ownership (2)	Percent of Class
M&G Investment Management Limited Governor's House, Laurence Pountney Hill, London, England EC4R 0HH	2,579,904(3)	10.1%
Dimensional Fund Advisors Inc. 1299 Ocean Avenue, 11 th Floor, Santa Monica, CA 90401	1,915,033(4)	7.5%
Friess Associates LLC 115 E. Snow King, Jackson, WY 83001	1,281,900(5)	5.0%
Robert W. Cremin	340,151(6)	1.3%
Larry A. Kring	118,450(6)	*
Robert D. George	116,750(6)	*
Stephen R. Larson	94,400(6)	*
Richard J. Wood	22,500(6)	*
John F. Clearman	16,655	*
Jerry D. Leitman	12,321	*
Lewis E. Burns	7,613	*
Robert S. Cline	7,023	*
James L. Pierce	5,613	*
Anthony P. Franceschini	4,241	*
Charles R. Larson	2,451	*
Paul V. Haack	0	*
Directors, nominees and executive officers as a group (15 persons)	827,293(6)	3.1%

* Less than 1%

- (1) Unless otherwise indicated, the business address of each of the shareholders named in this table is Esterline Technologies Corporation, 500 108th Avenue NE, Bellevue, Washington 98004.
- (2) Beneficial ownership is determined in accordance with Rule 13d-3 under the Securities Exchange Act. In computing the number of shares beneficially owned by a person or a group and the percentage ownership of that person or group, shares of common stock subject to options currently exercisable or exercisable within 60 days after January 8, 2007 are deemed outstanding, but are not deemed outstanding for the purpose of computing the percentage ownership of any other person. As of January 8, 2007, there were 25,572,476 shares of common stock outstanding. Unless otherwise indicated in the footnotes to this table, the person and entities named in the table have sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable.
- (3) The information on the number of shares is based upon a Schedule 13G/A filed on January 19, 2007 by M&G Investment Management Limited ("M&G") on behalf of itself and M&G Investment Funds 1 ("M&G Funds"). Based upon such filing, M&G has shared voting and shared dispositive power with respect to the all the shares, and M&G Funds has shares voting and shared dispositive with respect to 2,575,000 shares.
- (4) The information on the number of shares held is based upon a Schedule 13G/A filed on February 6, 2006, on behalf of Dimensional Fund Advisors Inc. ("Dimensional"). Based upon such filing, Dimensional is an investment advisor registered under Section 203 of the Investment Advisors Act of 1940. Dimensional furnishes investment advice to four investment companies registered under the Investment Company Act of 1940, and serves as investment manager to certain other investment vehicles, including commingled group trusts. These investment

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companies and investment vehicles are the Funds . In its role as investment advisor or investment manager, Dimensional possessed sole voting and sole investment power over all of the shares. The Funds own all of the shares, and Dimensional disclaims beneficial ownership of such shares.

- (5) The information on the number of shares is based upon a Schedule 13G filed on February 15, 2006.
- (6) Includes shares subject to options granted under the Company's Amended and Restated 1997 Stock Option Plan and the Company's 2004 Equity Incentive Plan which are exercisable currently or within 60 days of January 8, 2007 as follows: Mr. Cremin, 336,125 shares; Mr. Kring, 98,050 shares; Mr. George, 115,750 shares; Mr. Larson, 92,400 shares; Mr. Wood, 22,500 shares; and directors, nominees and executive officers as a group, 743,950 shares.

EXECUTIVE COMPENSATION

The following table summarizes compensation paid to or accrued by, during fiscal years 2006, 2005, and 2004 for services rendered in all capacities to the Company, the persons who, at October 27, 2006, were the Chief Executive Officer, the four other most highly compensated executive officers of the Company (collectively, the Named Executive Officers):

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation		Other Annual Compensation (\$)(2)	Long-Term Compensation		
		Salary (\$)	Bonus (\$)(1)		Awards Securities Underlying Options (#)	Payouts LTIP Payouts (\$)	All Other Compensation (\$)(3)
Robert W. Cremin Chairman, President and Chief Executive Officer	2006	750,000	445,968		77,500	835,360	6,300
	2005	685,833	2,097,302		77,000		6,300
	2004	640,000	276,750		55,000	216,975	6,150
Robert D. George Vice President, Chief Financial Officer, Secretary and Treasurer	2006	360,833	142,788		17,500	299,640	6,300
	2005	333,333	726,724		17,500		6,300
	2004	306,667	90,000		12,000	71,010	6,150
Larry A. Kring Senior Group Vice President	2006	431,667	172,128		28,900	299,640	6,300
	2005	385,000	761,626		27,300		6,300
	2004	368,833	108,000		17,000	71,010	6,150
Stephen R. Larson Vice President, Strategy & Technology	2006	330,833	131,052		15,000	245,160	6,300
	2005	306,333	616,802		14,600		6,300
	2004	293,000	86,400		12,000	71,010	6,150
Richard J. Wood (4) Group Vice President	2006	277,500	95,844	132,243	10,000	172,520	23,844
	2005	262,263	457,761	127,711	25,000		65,440
	2004	234,121	86,415				58,045

- (1) For fiscal 2006 and fiscal 2004, includes amounts earned under the Company's 2006 Annual Incentive Plan and 2004 Annual Incentive Plan, respectively. For fiscal 2005, includes amounts earned under the Company's 2005 Annual Incentive Compensation Plan and the initial one-year performance period under the Company's Long-Term Incentive Plan.
- (2) In fiscal 2006, the amount reflected includes \$117,153 paid by the Company to a moving company for the benefit of Mr. Wood in connection with Mr. Wood's relocation in fiscal 2005, an allowance paid for the purchase of a vehicle and an amount paid to a financial services provider for investment planning services rendered to Mr. Wood. In fiscal 2005, the Company paid for tax planning services provided to Mr. Wood and reimbursed him for relocation expenses that totaled approximately \$111,828, a cost of living adjustment, and car expenses. For each year presented, excludes an allowance paid to each of the named executive officers, except for Mr. Wood, for the purchase of a vehicle and amounts paid to a financial services provider for investment planning services rendered to Messrs. Cremin, Kring and Larson.

- (3) Other amounts listed are Company match payments contributed or accrued by the Company for the Named Executive Officers, other than Mr. Wood, under the Company's 401(k) plan. For Mr. Wood, amounts reflected for fiscal 2006 represent a Company match payment of \$4,620 and an additional \$19,224 in contributions by the Company under the Esterline Group Personal Pension Plan and for fiscal 2004 and fiscal 2005 represent the amount contributed by the Company under the Esterline Group Personal Pension Plan.
- (4) Mr. Wood was named Group Vice President in January 2005 and since June 2003, he has served as President of the Sensors Group, a subsidiary of the Company. All of the amounts set forth in the Summary Compensation Table for Mr. Wood, other than amounts for fiscal 2006, \$220,833 of the annual salary and \$69,641 of other annual compensation for fiscal year 2005, which were paid in U.S. dollars, represent the U.S. dollar equivalent of payments made to Mr. Wood in U.K. pounds sterling. All amounts reported for Mr. Wood for fiscal year 2004 and the pension contributions and \$58,070 of other annual compensation reported for Mr. Wood for fiscal 2005 were converted using the following average exchange rates for the 12-month period ended as of the end of fiscal years 2004 and 2005, respectively: U.S. \$1.00 = U.K. £1.81 for 2004; and U.S. \$1.00 = U.K. £1.85 for 2005. For fiscal 2005, \$41,430 of Mr. Wood's annual salary was converted using the average exchange rate for the two-month period ended December 31, 2004 of U.S. \$1.00 = U.K. £1.91.

Options Granted in the Fiscal Year Ended October 27, 2006

Name	Number of Securities Underlying Options Granted (#) (1)	Individual Grants			Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (3)	
		% of Total Options Granted to Employees in Fiscal Year	Exercise Price (\$/Share)	Expiration Date	Price Appreciation	
					5% (\$)	10% (\$)
Robert W. Cremin	77,500(2)	44%	38.98	December 8, 2015	1,899,859	4,814,616
Robert D. George	17,500(2)	10%	38.98	December 8, 2015	429,000	1,087,171
Larry A. Kring	28,900(2)	16%	38.98	December 8, 2015	708,463	1,795,386
Stephen R. Larson	15,000(2)	9%	38.98	December 8, 2015	367,715	931,861
Richard J. Wood	10,000(2)	6%	38.98	December 8, 2015	245,143	621,241

- (1) The grants were made pursuant to the Company's 2004 Equity Incentive Plan. The exercise price of the options is equal to the fair market value of the Common Stock on the date of grant. The options vest at the rate of twenty-five percent per year on each of the first four anniversaries of the date of grant.
- (2) These grants were made on December 8, 2005.
- (3) The potential realizable value is based on the assumption that the stock price for the Common Stock appreciates at the annual rate shown (compounded annually) from the date of grant until the end of the ten-year option term, as specified by the SEC. These assumed rates of annual stock price appreciation are specified by the rules of the SEC and are not intended to forecast possible future appreciation, if any, of the Company's stock price. Actual realizable value, if any, on stock option exercises depends on the future performance of the Common Stock as well as the option holder's continued employment with the Company.

Aggregated Option Exercises in the Fiscal Year Ended October 27, 2006 and Fiscal Year End Option Values

Name	Shares		Number of Securities		Value of Unexercised,	
	Acquired on	Exercise (#)	Underlying Unexercised		In-the-Money Options at	
			Options at		Fiscal Year End (\$)	
			Fiscal Year End (#) (2)		Fiscal Year End (3)	
	Realized	Exercisable	Unexercisable	Exercisable	Unexercisable	
Robert W. Cremin	31,500	863,586				