

ESTERLINE TECHNOLOGIES CORP
Form DEF 14A
December 27, 2018

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 (Amendment No.)

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 Pursuant to §240.14a-12
Esterline Technologies Corporation

(Name of Registrant as Specified In Its Charter)

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NOTICE OF ANNUAL MEETING AND PROXY STATEMENT

ESTERLINE TECHNOLOGIES CORPORATION

500 108th Avenue NE

Bellevue, Washington 98004

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held February 7, 2019

To the Shareholders of Esterline Technologies Corporation:

NOTICE IS HEREBY GIVEN that the 2019 annual meeting of shareholders for ESTERLINE TECHNOLOGIES CORPORATION, a Delaware corporation (the “Company”), will be held on Thursday, February 7, 2019, at 10:30 a.m. (local time), at the Seattle offices of Perkins Coie LLP, 1201 Third Avenue, Suite 4900, Seattle, Washington, for the following purposes:

- (1) to elect as directors of the Company the five nominees named in the attached proxy statement;
- (2) to approve, on an advisory basis, the compensation of the Company’s named executive officers for the fiscal year ended September 28, 2018;
- (3) to ratify the selection of Ernst & Young LLP as the Company’s independent registered public accounting firm for the fiscal year ending September 27, 2019; and
- (4) to transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

The Board of Directors has fixed the close of business on December 12, 2018, as the record date for determination of shareholders entitled to notice of and to vote at the meeting or any adjournment or postponement thereof. Members of the Company’s management will not make any formal presentations as part of the annual meeting, but will be available to address questions from shareholders, as appropriate.

The Company’s Annual Report on Form 10-K for fiscal year 2018 is provided for your convenience.

By order of the Board of Directors

/s/ Amy L. Watson
AMY L. WATSON
Deputy General Counsel and

Corporate Secretary

December 27, 2018

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

To Be Held February 7, 2019

This proxy statement, which is first being provided to shareholders on or about December 27, 2018, 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 2019 annual meeting of shareholders of the Company to be held on Thursday, February 7, 2019, at 10:30 a.m. (local time), at the Seattle offices of Perkins Coie LLP, 1201 Third Avenue, Suite 4900, Seattle, Washington 98101, and at any adjournment or postponement thereof. The Company’s principal executive office is at 500 108th Avenue NE, Suite 1500, Bellevue, Washington 98004.

Shareholders are being asked to vote on three proposals at the 2019 annual meeting:

- (1) to elect as directors of the Company five nominees: Delores M. Etter, Paul V. Haack, Mary L. Howell, Scott E. Keuchle and Curtis C. Reusser for a one-year term that will expire at the 2020 annual meeting of shareholders;
- (2) to approve, on an advisory basis, the compensation of the Company’s named executive officers for the fiscal year ended September 28, 2018; and
- (3) to ratify the selection of Ernst & Young LLP as the Company’s independent registered public accounting firm for the fiscal year ending September 27, 2019.

In addition, you may be asked to consider any other business properly presented at the 2019 annual meeting and any adjournment or postponement of the annual meeting. Members of the Company’s management will not make any formal presentations as part of the 2019 annual meeting, but will be available to address questions from shareholders, as appropriate.

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, messenger, facsimile transmission or personal interview. Arrangements may also be made with brokerage houses and other custodians, nominees and fiduciaries to send proxies and proxy material to their principals, and the Company may reimburse such persons for their expenses in so doing. The Company has retained MacKenzie Partners, Inc. to provide proxy solicitation services for a fee of \$12,500, plus reimbursement of its out-of-pocket expenses.

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

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

printed proxy card); or

(4) Requesting a printed proxy card and completing, signing, dating and promptly mailing the proxy card in the envelope provided.

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

The Board of Directors has fixed the close of business on December 12, 2018, as the record date for determining the holders of common stock of the Company (the "Common Stock") entitled to notice of and to vote at the annual meeting. The Common Stock is listed for trading on the New York Stock Exchange. At the close of business on the record date there were outstanding and entitled to vote 29,640,812 of Common Stock, which are entitled to one vote per share on all matters which properly come before the annual meeting.

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

For Proposal One (regarding the election of directors), each nominee must receive an affirmative vote of a majority of votes cast, either in person or represented by proxy at the meeting, to be elected to the Board of Directors. Shareholders are not entitled to cumulate votes in electing directors. For Proposal Two (regarding the advisory vote on the executive compensation of the Company's named executive officers) and Proposal Three (regarding the ratification of the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal year 2019), the affirmative vote of a majority of the votes cast will be required for approval of the proposals. The votes on Proposal Two (regarding executive compensation) and Proposal Three (regarding the ratification of our independent auditors) are advisory in nature and are nonbinding.

Abstentions and broker non-votes will not be considered votes cast with respect to Proposals One, Two and Three, and as a result, they will have no effect on the vote relating to those proposals. Broker non-votes occur when a person holding shares through a bank or brokerage account does not provide instructions as to how his or her shares should be voted and the broker does not exercise discretion to vote those shares on a particular matter. Brokers may not exercise discretion to vote shares as to non-routine matters, which at the 2019 annual meeting include the election of directors and the advisory vote on executive compensation. Brokers may exercise discretion to vote shares as to which instructions are not given with respect to routine matters, which at the 2019 annual meeting includes the ratification of the selection of Ernst & Young LLP as the Company's independent registered public accounting firm.

PROPOSAL ONE:

ELECTION OF DIRECTORS

The Company's Amended and Restated Bylaws 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. At the 2018 annual meeting, the Company's shareholders approved amendments to the Company's Restated Articles of Incorporation to eliminate the classified structure of our Board of Directors. Accordingly, the Company's Restated Certificate of Incorporation provides that each director elected at each annual meeting of stockholders, beginning with the 2018 annual meeting of stockholders, shall serve a one-year term expiring at the following annual meeting of stockholders and until his or her respective successor is duly elected and qualified, or until his or her earlier death, resignation, retirement, disqualification or removal.

At the 2018 annual meeting, Ms. Delores M. Etter and Ms. Mary L. Howell were elected for a one-year term that expires at the 2019 annual meeting. In addition, the terms of Mr. Paul V. Haack, Mr. Scott E. Kuechle and Mr. Curtis C. Reusser, who were elected to three-year terms at the 2016 annual meeting when the Company's Board of Directors was classified, expire at the 2019 annual meeting. Accordingly, each of the foregoing five Directors is standing for election at the 2019 annual meeting. The remaining directors who are not standing for election at the 2019 annual meeting will continue to serve for the remainder of their terms, which will expire at the 2020 annual meeting of stockholders and until their successors are duly elected and qualified.

The Company entered into an Agreement and Plan of Merger, dated as of October 9, 2018, and amended on October 10, 2018 (as it may be further amended from time to time, the "Merger Agreement"), by and among the

Company, TransDigm Group Incorporated, a Delaware corporation (“TransDigm”), and Thunderbird Merger Sub Inc., a Delaware corporation and wholly owned subsidiary of TransDigm (“Merger Sub”) pursuant to which, among other things, Merger Sub will merge with and into the Company, with the Company surviving as a wholly owned subsidiary of TransDigm (the “Merger”). The Merger is subject to a number of closing conditions, but if completed, each outstanding share of Common Stock will be converted into the right to receive \$122.50 in cash, without interest and subject to any withholding taxes, (unless the holder of such shares has properly exercised and perfected his or her appraisal rights with respect to such shares). Upon completion of the Merger, among other things, the Company’s Directors will be replaced by the directors of Merger Sub. As a result, the Directors may not serve for the full term to which he or she has been elected if the Merger is completed before the Company holds the 2020 annual meeting of stockholders. For more information regarding the Merger Agreement and the Merger, please see the Company’s Definitive Proxy Statement filed with the SEC on November 30, 2018.

Majority Voting in Director Elections and Irrevocable Resignations

Pursuant to the Company's Amended and Restated Bylaws, a director nominee is elected to the Board if the votes cast for the nominee exceed the votes cast against the nominee. Abstentions will have no effect on the election of directors since only votes "For" or "Against" a nominee will be counted.

Under the Company's Corporate Governance Guidelines, the Board will nominate only those persons who tender, in advance, irrevocable resignations, which are effective upon a director's failure to receive the required vote at any annual meeting at which they are nominated for re-election and Board acceptance of the resignation. The Board will act on the resignation, taking into account the recommendation of the Nominating & Corporate Governance Committee, and publicly disclose its decision within 90 days from the date of the certification of the election results. Any director who tenders such a resignation in accordance with the Corporate Governance Guidelines will not participate in the Nominating & Corporate Governance Committee recommendation or Board decision on the resignation. If the Board does not accept the resignation of a director in the foregoing circumstances, the director will continue to serve until the next annual meeting and until his or her successor is duly elected, or until his or her earlier resignation or removal, subject to the consummation of the Merger. If the Board accepts the resignation, then the Board, in its sole discretion, may fill any resulting vacancy or may decrease the size of the Board as provided for and in accordance with the Bylaws.

As previously disclosed, we entered into an agreement with First Pacific Advisors, LLC and certain of its affiliates named in the agreement (collectively, "FPA") dated October 18, 2016, (the "FPA Agreement"). Pursuant to the FPA Agreement, the Board appointed Mr. Nils E. Larsen as a new independent director effective October 18, 2016, and nominated Mr. Larsen for election at the 2017 annual meeting of stockholders where he was elected to the class of directors with terms expiring in 2020. According to the terms of the FPA Agreement, Mr. Larsen tendered an irrevocable resignation letter pursuant to which he will immediately resign from the Board and all applicable committees thereof if, at any time during the Standstill Period (as defined below), FPA fails to beneficially own at least 10% of the Common Stock. The Standstill Period is the period from October 18, 2016, until the earlier of (i) the date that is fifteen (15) business days prior to the deadline for the submission of stockholder nominations for the 2020 annual meeting of stockholders pursuant to the Bylaws and (ii) the date that is 100 days prior to the first anniversary of the 2019 annual meeting of stockholders. FPA's beneficial ownership declined to below 10% after fiscal 2018, which triggered the Board's determination whether to accept Mr. Larsen's resignation. Mr. Larsen will continue his service on the Board in 2019 by unanimous decision of the Board (with Mr. Larsen not participating). See the "Certain Relationships and Related Transactions – The FPA Agreement" section of this proxy statement beginning on page 45 for further detail on the FPA Agreement.

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

Information as to each nominee and each director whose term will continue after the 2019 annual meeting is provided below. Unless otherwise instructed, it is the intention of the persons named in the accompanying proxy to vote shares represented by properly executed proxies FOR the election of the nominees named below. The Board of Directors knows of no reason why any of its nominees will be unable or unwilling to serve. If any nominee becomes unavailable to serve, the Board of Directors intends for the persons named as proxies to vote for the election of such other persons, if any, as the Board of Directors may recommend.

Nominees to the class of directors whose term will expire at the 2020 annual meeting:

Delores M. Etter

Professor, Department of Electrical Engineering

Former Distinguished Fellow, Darwin Deason Institute for Cyber Security

Southern Methodist University, Dallas, TX. Age 71.

Dr. Etter was a member of the Department of Electrical Engineering at Southern Methodist University from June 2008 to December 2016. She held the Texas Instruments Distinguished Chair in Engineering Education and was a Distinguished Fellow in the Darwin Deason Institute for Cyber Security. Dr. Etter is a member of the National Academy of Engineering, a former member of the National Science Board, and a Fellow of the Institute of Electrical and Electronic Engineers. She is also a director of Stantec Inc. She has been a director of the Company since 2010.

Dr. Etter has had multiple, substantive experiences within the U.S. Department of Defense, including serving as the Assistant Secretary of the Navy for Research, Development, and Acquisition, and as the Deputy Under Secretary of Defense for Science and Technology, as well as serving on the faculty at public and private academic institutions. These experiences, coupled with her deep technical knowledge in the areas of sensors and software and her familiarity with the Joint Strike Fighter and other military aircraft, enable Dr. Etter to provide insight and guidance to management and the Board.

Paul V. Haack

Senior Partner (Retired), Deloitte & Touche LLP. Age 68.

Prior to 2006, Mr. Haack was a Senior Partner with Deloitte & Touche LLP (an international public accounting firm). He is currently an Emeritus Trustee of the University of Montana Foundation. He has been a director of the Company since 2006.

During his tenure at Deloitte, Mr. Haack was a leader of its Aerospace and Defense Practice, which provided him with knowledge and experience relevant to the Company's industry. Mr. Haack also gained extensive experience in complex mergers and acquisitions and capital structure issues from his career at Deloitte, and from his tenure as director and Audit Committee Chair at SonoSite, including during Sonosite's successful sale to FujiFilm for which he served on the Transaction Committee. As a practicing CPA for 33 years, he has extensive expertise in finance, accounting and regulatory matters related to financial reporting, and has experience with the complexities of doing business overseas. The broad skillset he brings to the Board enhances the Board's oversight of financial reporting, enterprise risks, as well as the Company's strategy in the markets in which the Company operates and positions him well to serve as a Board member of the Company.

Mary L. Howell

Executive Vice President (Retired), Textron, Inc. Age 66.

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

Ms. Howell has extensive experience in the commercial and military markets that strengthen the Board's oversight of the Company's strategic plans. Her deep expertise in global operations, marketing, sales, business development and merger and acquisition transactions as well as her service on the boards of the National Association of Manufacturers and the Aerospace Industries Association enhance the Board's oversight of strategic matters and enterprise risk. Further, her former experience as a board member of FM Global has given her insight to sophisticated risk management practices that contributes to the Board's oversight of the Company's complex global operations.

Scott E. Kuechle

Executive Vice President and Chief Financial Officer (Retired), Goodrich Corporation. Age 59.

Prior to July 2012, Mr. Kuechle was the Executive Vice President and Chief Financial Officer of Goodrich Corporation (an aerospace and defense company) since August 2005. He is also a director of Kaman Corporation and Wesco Aircraft Holdings, Inc. He has been a director of the Company since 2012.

Mr. Kuechle's extensive experience within the aerospace and defense industry during his 29-year tenure at Goodrich and ongoing board experience at two other aerospace public companies provide relevant and valuable insights to the Board's oversight of the Company's strategic plans and initiatives. This industry experience, coupled with his deep expertise in corporate finance, mergers and acquisitions, and financial controls and analysis, provide the Board with a powerful skillset to draw upon as the Company continues to execute its strategic plan with a focus on organic growth, good-fit mergers and acquisitions, and operational excellence. In addition, Mr. Kuechle's experience in complex corporate finance matters, including capital allocation, strengthen the Audit Committee's oversight of audit, financial

reporting and financial risk matters.

Curtis C. Reusser

Chairman, President and Chief Executive Officer, Esterline Technologies Corporation. Age 58.

Mr. Reusser has been Chairman, President and Chief Executive Officer of the Company since March 2014 and served as President and Chief Executive Officer of the Company from October 2013 to March 2014. Previously, he was President, Aircraft Systems of UTC Aerospace Systems for United Technologies Corporation (“UTC”) (a provider of a broad range of high-technology products and services to the global aerospace and building systems industries) from July 2012 to October 2013. He has been a director of the Company since 2013.

Mr. Reusser brings to the Board over 30 years of experience in the aerospace and defense industry, which significantly strengthens the Board’s oversight of the development and execution of the Company’s strategic plans and initiatives. With his engineering background and substantive leadership experience at Goodrich Corporation and UTC, Mr. Reusser adds a “hands-on” dynamic to the Board. Mr. Reusser has direct experience in growing and leading businesses that are complementary to Esterline’s, including sensors and systems, power systems and avionics and communication systems. Mr. Reusser’s extensive and relevant industry experiences and experience in merger and acquisition transactions add significantly to the Board’s oversight of the Company’s global operations, operational excellence initiatives, strategic transactions and strategy deployment.

Continuing directors:

Michael J. Cave

Senior Vice President (Retired), The Boeing Company.

President (Retired), Boeing Capital Corporation. Age 58.

Mr. Cave served as a Senior Vice President of The Boeing Company (a leading aerospace company and manufacturer of commercial jetliners and military aircraft), from January 2010 to May 2014. During this same time period, he also served as President of Boeing Capital Corporation (a wholly owned Boeing subsidiary that is primarily responsible for arranging, structuring and providing financing for Boeing's commercial airplane and space and defense products). He is the non-executive chairman of the board of Harley Davidson and also serves as a director of AirCastle Ltd. and Ball Corporation. He has been a director of the Company since November 2015, and his current term expires in 2020.

Mr. Cave's skills, expertise and experience in financial services, strategic planning, operations management and business development he gained through senior leadership roles at The Boeing Company make him a valuable member of the Board. His insights into the various products under development and entering production at aerospace original equipment manufacturers and the many high-level customer relationships that he developed in his time at Boeing are particularly helpful in guiding the Company on strategic matters. In addition, Mr. Cave provides the benefits of service on the boards of other publicly traded companies and has significant experience with mergers and acquisitions, including integration of newly acquired businesses, which enhances the Board's strategic transaction oversight resources.

Michael J. Covey

Chairman and Chief Executive Officer, Potlatch Corporation. Age 61.

Mr. Covey has been Chairman and Chief Executive Office of Potlatch Corporation (a leading manufacturer of forest products) since 2013. Prior to that time, he was the Chairman, President and Chief Executive Officer of Potlatch Corporation, having held such positions from 2007 through 2013. He has been a director of the Company since 2017, and his current term expires in 2020.

Mr. Covey's long and ongoing experience as an acting Chief Executive Officer brings a valuable executive-level perspective to the Board. He contributes helpful insights into all aspects of running a manufacturing business, enhancing in particular the Board's oversight of operations and financial management. Through his extensive background in senior-level management, Mr. Covey also possesses experience with strategy development and execution as well as capital deployment, which benefit and strengthen the Board's oversight in these areas. Mr. Covey's long experience as Chief Executive Officer and Chairman roles have enabled him to develop a strong sense of the importance of optimizing business operations to grow shareholder value, which helps the Board with its oversight of the Company's strategic direction and implementation of key business plans.

Anthony P. Franceschini

President and Chief Executive Officer (Retired), Stantec Inc. Age 67.

Prior to May 2009, Mr. Franceschini was the President and Chief Executive Officer of Stantec Inc. (an engineering, architecture and related professional services design firm), having held such positions since June 1998. He served as a director of Stantec Inc. from March 1994 to May 2018. He is chairman of the board for ZCL Composites Inc. and is a

director of Aecon Group Inc. and is on the advisory board of a private company. He has been a director of the Company since 2002, and his current term expires in 2020.

Mr. Franceschini has substantive experience in the area of mergers and acquisitions, having guided Stantec Inc. through a period of significant growth facilitated through many successful acquisitions, which enhances the Board's oversight of strategic transactions and other growth plans. His understanding of the acquisition process and post-acquisition integration is beneficial to the Board and management as acquisitions and effective integration of acquisitions remain key focus areas for the Company. Additionally, as a Canadian citizen, Mr. Franceschini's familiarity with Canadian business and banking practices adds meaningful oversight of Esterline's investments in Canada.

Nils E. Larsen

President, SZR Consulting, LLC

Senior Operating Advisor, The Carlyle Group. Age 48.

Mr. Larsen is the President and founder of SZR Consulting, LLC (a business consulting firm) and is an Operating Advisor with The Carlyle Group. Mr. Larsen has held these positions since September 2013. In addition, Mr. Larsen is an Advisor to Equity Group Investments, LLC, a private investment firm. Mr. Larsen has been an Advisor to Equity Group Investments, LLC since January 2017 and, prior to that, held a variety of roles with Equity Group Investments, LLC including Managing Director from 2001 to 2016. Mr. Larsen is Chairman of Liberty Tire Recycling, LLC, a director of Vantage Drilling

International and three other private companies. Mr. Larsen has been a director of the Company since 2016, and his current term expires in 2020.

Mr. Larsen has extensive experience in financial analysis across numerous industries and has overseen the management and governance of companies in many of them. This experience brings relevant and valuable insight to the Board's oversight of the Company's capital structure, financial performance and financial risk. Mr. Larsen's management and oversight experience includes extensive strategic planning, budgeting and operational planning which will enhance the Board's oversight of the Company's strategic plan and budgeting process. Mr. Larsen also brings deep experience in sourcing, analyzing, structuring and negotiating business acquisitions and divestitures to the Board's oversight of the Company's merger and acquisition activities and the evaluation of the performance of those activities.

OTHER INFORMATION AS TO DIRECTORS

Director Compensation

The following table describes the compensation earned by persons who served as non-employee directors during fiscal 2018. Employees of the Company serving on the Board or committees received no additional compensation for such service.

Name	Fees Earned or Paid		Stock Awards	All Other Compensation	Total
	in Cash				
	(\$) (1)	(\$) (2)			(\$)
Michael J. Cave	\$76,250	\$110,000	\$	-	\$186,250
Michael J. Covey	67,500	110,000		-	177,500
Delores M. Etter	80,000	110,000		-	190,000
Anthony P. Franceschini	75,417	110,000		-	185,417
Paul V. Haack	79,167	110,000		-	189,167
Mary L. Howell	89,167	110,000		-	199,167
Scott E. Kuechle	88,750	110,000		-	198,750
Nils E. Larsen	81,250	110,000		-	191,250
Gary E. Pruitt ⁽³⁾	33,750	-		-	33,750

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

(2) Amounts in this column represent the aggregate grant date fair value of awards granted during fiscal 2018, computed in accordance with Accounting Standards Codification Topic 718 (ASC 718).

(3) Mr. Pruitt retired from the Board in February 2018.

For fiscal 2018, the Company paid the following cash fees to non-employee directors:

Non-Employee Director Annual Retainer

\$55,000

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Lead Independent Director Additional Annual Retainer	25,000
Audit Committee Member Annual Retainer	12,500
Audit Committee Chair Additional Annual Retainer	12,500
Compensation Committee Member Annual Retainer	7,500
Compensation Committee Chair Additional Annual Retainer	7,500
Regulatory Compliance Subcommittee Member Annual Retainer *	7,500
Regulatory Compliance Subcommittee Chair Additional Annual Retainer *	7,500
Nominating & Corporate Governance Committee Member Annual Retainer	7,500
Nominating & Corporate Governance Committee Chair Additional Annual Retainer	7,500
Enterprise Risk Committee Member Annual Retainer	7,500
Enterprise Risk Committee Chair Additional Annual Retainer	7,500

* The Regulatory Compliance Subcommittee was disbanded in November 2017.

The Compensation Committee reviews director remuneration periodically, and seeks information and advice from its compensation consultant, Semler Brossy, to assist the Committee's consideration. Pursuant to such a review, the Committee confirmed it was generally satisfied with the level and structure of director fees and made no changes for fiscal 2018.

All annual retainers 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 makes an annual issuance of fully-paid Common Stock to each non-employee director serving on the Board the day after each annual meeting of shareholders. In fiscal 2018, each non-employee director who continued service on the Board after the annual meeting date was issued \$110,000 of fully-paid Common Stock. The number of shares of Common Stock issued is determined based on the closing price of our Common Stock on the date of the annual meeting, as reported in the Wall Street Journal the following day. During fiscal 2018, shares to non-employee directors were issued under the Company's 2013 Equity Incentive Plan. Board policy requires non-employee directors to acquire and hold shares of the Common Stock that are equal to or greater in value than five times the amount of the annual cash retainer for Board service, which is currently \$55,000, as described above. All non-employee directors, other than Mr. Covey, met the share ownership requirement as of the end of fiscal 2018. Mr. Covey is to achieve the required ownership level by the fifth anniversary of his election to the Board, or May 2022.

Board and Board Committees

There were 16 meetings of the Board of Directors during fiscal 2018. During fiscal 2018, each director attended at least 75% of the total number of meetings of the Board of Directors and Board committees of which he/she was a member, except for Mr. Gary Pruitt, who attended 67% of the Compensation Committee meetings that were held prior to his retirement as a Director in February 2018.

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

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

Board's Role in Risk Oversight. The Company has traditionally identified and evaluated risk as part of its annual strategic planning process (carried out through its business units) and will continue to do so. In addition, the Company developed and implemented an enterprise risk management ("ERM") program which incorporates senior officer and business unit risk assessments, including those identified as part of the strategic planning process. The Company's ERM program is a systematic approach to risk assessment and mitigation, which is designed to measure, manage and aggregate risks on an enterprise-wide basis. Under the Company's ERM program, management identifies various risks facing the Company and assesses such risks by likelihood of occurrence and potential impact. Management has the responsibility for developing an action plan to address, mitigate or monitor such risks. Management updates the ERM program annually to reassess its risk profile and to identify new risks that might need to be incorporated into the assessment.

In fiscal 2018, the Board of Directors retained responsibility for overseeing risk assessment for the enterprise in light of the interrelated nature of the elements of risk. However, the Board has delegated certain risk areas for inquiry and monitoring to Board committees. As described below, the Board receives assistance from certain of its committees for the identification and monitoring of those risks that are related to the committees' areas of focus as described in each committee charter. The Board and its committees exercise their risk oversight function by carefully evaluating management reports and making inquiries of management regarding material risk exposures and the steps taken to control such exposure.

The Audit Committee reviews risks related to internal controls, disclosure, financial reporting, and financial impacts from legal and compliance activity. Oversight of some compliance activities, including trade compliance risks and business ethics programs in particular, is led by the Enterprise Risk Committee, as further described below. Among other processes, the Audit Committee meets regularly in separate executive sessions, without management, with the Company's internal auditors and external accounting firm. The Audit Committee also meets in executive session with the Chief Financial Officer, Chief Accounting Officer, and the General Counsel. The Audit Committee met in executive session, without management, with the

Company's independent registered public accounting firm, Ernst & Young LLP, as part of each of the regular in-person meetings and most of the special meetings held in fiscal 2018.

The Enterprise Risk Committee supports the Board's oversight of enterprise risk management, including the ERM program described above, regulatory (including international trade, anti-corruption/anti-bribery and environmental health and safety) compliance and business ethics programs and risks, corporate acquisition and divestiture transactions, cybersecurity and information systems risks, and key research and development ("R&D") opportunities. During early fiscal 2018, the Enterprise Risk Committee also oversaw the activities of the Regulatory Compliance Subcommittee (the "Subcommittee"), which was formed in August 2013 and was delegated the authority to oversee the Company's export control compliance activities and program development resulting from its obligations under the Consent Agreement entered into in March 2014 (the "Consent Agreement") with the U.S. Department of State's Directorate of Defense Trade Controls Office of Defense Trade Controls Compliance to resolve alleged International Traffic in Arms Regulations civil violations. The Consent Agreement was closed in September 2017. As a result, the Subcommittee was disbanded in November 2017, and the Enterprise Risk Committee assumed lead oversight of the Company's export control compliance program and activities.

The Compensation Committee reviews risks associated with the Company's compensation programs to ensure that incentive compensation arrangements for employees do not encourage inappropriate risk taking, as described more fully under the "Statement Regarding Compensation Practices" section in this proxy statement on page 31.

Attendance at the Annual Meeting. The Board of Directors currently does not have a policy with regard to director attendance at the Company's annual shareholders meeting; however, it schedules the second fiscal quarter meeting of the Board of Directors on or near the same date as the annual shareholders meeting to facilitate director attendance at the annual meeting. All of the Company's directors then serving on the Board attended the annual shareholders meeting in 2018.

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

Board Committees. Set forth below is an overview of the membership and key responsibilities of each of the Company's standing Board Committees. The Nominating & Corporate Governance Committee periodically reviews Committee composition and Board leadership assignments and makes recommendations for changes to the full Board of Directors. As part of this regular review process, several Committee and Board leadership assignments were changed in November 2017, which are described in the Board Committee summaries that follow.

The Audit Committee currently consists of directors Kuechle (Chair), Franceschini, Haack, and Larsen, each of whom is independent in accordance with applicable rules promulgated by the Securities and Exchange Commission ("SEC") and NYSE listing standards. Ms. Howell served on the Audit Committee during fiscal 2017 and was replaced by Mr. Franceschini effective in November 2017. The Audit Committee selects, retains and oversees the independent registered public accounting firm to audit the Company's annual financial statements, approves the terms of the engagement of, and the selection of the lead partner from, the independent registered public accounting firm and reviews and approves the fees charged for audits and for any non-audit assignments. The Board of Directors has

adopted a written charter for the Audit Committee, a copy of which is posted on the Company's website at www.esterline.com under the Corporate Governance tab. The Audit Committee's responsibilities also include, among others, overseeing (1) the integrity of the Company's financial statements, which includes reviewing the scope and results of the annual audit by the independent registered public accounting firm, any recommendations of the independent registered public accounting firm resulting therefrom and management's response thereto and the accounting principles being applied by the Company in financial reporting, (2) the Company's compliance with legal and regulatory requirements, (3) the independent registered public accounting firm's qualifications and independence, (4) the performance of the Company's internal auditors and the independent registered public accounting firm, and (5) such other related matters as may be assigned to it by the Board of Directors. The Audit Committee met ten times during fiscal 2018.

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

The Compensation Committee currently consists of directors Cave (Chair), Covey, and Etter, each of whom is independent in accordance with applicable NYSE listing standards. Mr. Franceschini served as Chair and Mr. Haack served as a member of the Compensation Committee until November 2017, at which time Mr. Cave was appointed as Chair and Mr. Covey was appointed as a member of the Compensation Committee. Mr. Pruitt served on the Compensation Committee during fiscal 2018 until his retirement from the Board of Directors and its committees in February 2018 following the conclusion of the 2018 annual meeting. The Compensation Committee develops, evaluates and recommends to the independent members of the Board for its approval corporate goals and objectives relevant to the compensation of the Chief Executive Officer (“CEO”); evaluates the CEO’s performance and that of other corporate officers in light of corporate goals and objectives; develops, evaluates and recommends the form and level of compensation for the CEO and other officers of the Company; recommends compensation for Board members; oversees the Company’s succession planning process; and is responsible for performing the other related responsibilities set forth in its written charter, which is posted on the Company’s website at www.esterline.com under the Corporate Governance tab. The Compensation Committee also administers the Company’s equity and incentive compensation plans for officers and senior corporate management, which includes recommending amendments to such plans. When appropriate, the Compensation Committee may form and delegate authority to subcommittees, or may delegate authority to one or more designated members of the Board or to corporate officers. The CEO, the Executive Vice President and Chief Human Resources Officer, and the Executive Vice President & General Counsel are non-voting advisors to the Compensation Committee from whom the Compensation Committee solicits and considers recommendations as to compensation for the other executive officers as well as other matters related to the Company’s executive compensation program.

The Compensation Committee has the sole authority from the Board of Directors for the appointment, compensation, and oversight of the Company’s outside executive and director compensation consultant. The Compensation Committee has engaged Semler Brossy, an independent executive compensation consultant, to: (1) review and develop compensation program recommendations for Company executives and directors; (2) provide and analyze benchmark compensation data for executive officers and directors from peer companies and from general compensation surveys; (3) advise the Committee on compensation levels for executive officers and directors; and (4) provide analysis and recommendations related to the design of executive incentive plans. Semler Brossy has no other business relationships with Esterline. The compensation consultant reports directly to the Committee, and the Committee may replace the firm or hire additional consultants at any time. A representative of the compensation consultant attends meetings of the Committee, upon request, and communicates with the Committee chair between meetings. The Compensation Committee met six times during fiscal 2018.

The Nominating & Corporate Governance Committee currently consists of directors Etter (Chair), Cave, and Franceschini, each of whom is independent in accordance with applicable NYSE listing standards. Mr. Pruitt served on the Nominating & Corporate Governance Committee during fiscal 2018 until his retirement from the Board of Directors and its committees in February 2018 following the conclusion of the 2018 annual meeting. The Nominating & Corporate Governance Committee recommends director candidates to the entire Board, oversees the evaluation of the Board of Directors and Company management, develops and monitors corporate governance principles, practices and guidelines for the Board of Directors and the Company, and is responsible for performing the other related responsibilities set forth in its written charter, which is posted on the Company’s website at www.esterline.com under the Corporate Governance tab. The Nominating & Corporate Governance Committee met four times during fiscal 2018.

The Enterprise Risk Committee currently consists of directors Larsen (Chair), Covey, Haack, Howell and Kuechle. Ms. Howell served as Chair and Mr. Cave and Ms. Etter served as members and of the Enterprise Risk Committee until November 2017, at which time Mr. Larsen was appointed as Chair and Mr. Covey was appointed as a member of the Enterprise Risk Committee. The Enterprise Risk Committee provides oversight of the Company’s enterprise risk management program and risks associated with regulatory compliance, business ethics and

cybersecurity, as well as of corporate transactions and research and development investment opportunities. In fiscal 2017, oversight of the Company's export control compliance program and activities resulting from the Company's obligations under the Consent Agreement was delegated to the Regulatory Compliance Subcommittee of the Enterprise Risk Committee, as further described under "Board's Role in Risk Oversight" on page 7. During fiscal 2017, the Regulatory Compliance Subcommittee consisted of directors Howell (Chair), Etter, Kuechle and Morris (until his retirement in February 2017). The Consent Agreement was closed in September 2017. As a result, the Subcommittee was disbanded in November 2017, and the Enterprise Risk Committee assumed lead oversight of the Company's export control compliance program and activities.

Director Nominations and Qualifications

In accordance with the Company's Amended and Restated Bylaws, any shareholder entitled to vote for the election of directors at the annual meeting may nominate persons for election as directors at the 2020 annual shareholders meeting only if the Corporate Secretary receives written notice of any such nominations not fewer than 120 days nor more than 150 days prior to the date of the annual meeting. If the Merger is not completed, it is anticipated that the 2020 annual meeting will be held on

February 6, 2020, in which case the Corporate Secretary must receive written notice of any such nominations no earlier than September 9, 2019, and no later than October 9, 2019. Such nominations should be sent to: Esterline Technologies Corporation, Attn: Corporate Secretary, 500 108th Avenue NE, Suite 1500, Bellevue, WA 98004 and comply with the requirements set forth in our Bylaws.

The Chairman of the Board, other directors or senior management of the Company may also recommend director nominees. The Nominating & Corporate Governance Committee will evaluate recommended director nominees, including those that are submitted to the Company by a shareholder, taking into consideration certain criteria such as business or community leadership 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 CEO and other members of the Board. Although there is no formal diversity policy in place, the Company and the Nominating & Corporate Governance Committee value board members with varying viewpoints, backgrounds, and experiences. They consider candidates' diverse backgrounds as a favorable asset in identifying nominees for director.

The Company did not receive any shareholder nominations for directors to be considered by the Nominating & Corporate Governance Committee for the 2019 annual shareholders meeting.

Communications with the Board

Shareholders, and other interested parties, may contact Mr. Reusser, as the Chairman, Ms. Howell, 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

Each communication should clearly specify the name of the individual director or group of directors to whom the communication is addressed. Communications sent by email are delivered directly to the Lead Independent Director and to the Corporate Secretary, who will promptly forward such communications to the specified director addressees. Communications sent by mail will be promptly forwarded by the Corporate Secretary to the specified director addressee or, if such communication is addressed to the full Board of Directors, to the Chairman of the Board and the Lead Independent Director, who will promptly forward such communication to the full Board of Directors. Shareholders wishing to submit proposals for inclusion in the proxy statement relating to the 2020 annual shareholders meeting should follow the procedures specified under Shareholder Proposals for 2020 in this proxy statement. Shareholders wishing to nominate or recommend directors should follow the procedures specified under the Other Information as to Directors—Director Nominations and Qualifications section above.

CODE OF ETHICS

The Company has adopted a code of ethics that applies to its accounting and financial employees, including the CEO and Chief Financial Officer. This code of ethics, which is included as part of the Company's Code of Business

Conduct and Ethics that applies to the Company's employees and directors, is posted on the Company's website at www.esterline.com under the Corporate Governance tab. The Company intends to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to or waiver from application of the code of ethics provisions of the Code of Business Conduct and Ethics that applies to the CEO or the Chief Financial Officer, and any other applicable accounting and financial employee, by posting such information on its website at www.esterline.com under the Corporate Governance tab.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding beneficial ownership of shares of Common Stock as of December 7, 2018, 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 ("NEOs") who are further defined in the "Compensation Discussion and Analysis" section of this proxy statement on page 12 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
BlackRock, Inc. 40 East 52nd Street, New York, NY 10022	3,583,751 (3)	12.1%
Dimensional Fund Advisors LP Palisades West - Bldg. One, 6300 Bee Cave Road, Austin, TX 78746	2,537,129 (4)	8.6%
The Vanguard Group, Inc. 100 Vanguard Boulevard, Malver, PA 19355	2,477,996 (5)	8.4%
Curtis C. Reusser	138,448 (6)	*
Robert D. George	72,980 (6)	*
Albert S. Yost	27,827 (6)	*
Paul V. Haack	26,696	*
Marcia J. Mason	24,583 (6)	*
Anthony P. Franceschini	21,937	*
Delores M. Etter	15,200	*
Mary L. Howell	14,923	*
Scott E. Kuechle	8,225	*
Nils E. Larsen	5,713	*
Stephen M. Nolan	5,275 (6)	*
Michael J. Cave	4,894	*
Roger A. Ross	4,579 (6)	*
Michael J. Covey	2,573	*
Donald E. Walther	-	(6) *
Directors, nominees and executive officers as a group (16 persons)	385,669 (6)	1.3%

*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, Suite 1500, 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 December 12, 2018, are deemed outstanding, but are not deemed outstanding for the purpose of computing the percentage ownership of any other person. As of December 12, 2018, there were 29,640,812 shares of

Common Stock outstanding. Unless otherwise indicated in the footnotes to this table, the person and entities named in the table have sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable.

- (3) The information on the number of shares held is based on a Schedule 13G filed on January 19, 2018, on behalf of BlackRock, Inc. (“BlackRock”). Based upon such filing, BlackRock beneficially owns 3,583,751 shares. BlackRock has sole voting power over 3,533,009 shares and sole dispositive power over 3,583,751 shares.
- (4) The information on the number of shares held is based upon a Schedule 13G filed on February 9, 2018, on behalf of Dimensional Fund Advisors LP (“Dimensional”). Based upon such filing, Dimensional is an investment advisor registered under Section 203 of the Investment Advisors Act of 1940. Dimensional furnishes investment advice to four investment companies registered under the Investment Company Act of 1940, and serves as investment manager to certain other investment vehicles, including commingled group trusts. These investment companies and investment vehicles are the “Funds.” In its role as investment advisor or investment manager, Dimensional possessed sole voting and investment power over all of the shares. The Funds own all of the shares, and Dimensional disclaims beneficial ownership of such shares. Dimensional has sole voting power over 2,499,482 shares and sole dispositive power over 2,537,129 shares.
- (5) The information on the number of shares held is based upon Schedule 13G filed February 9, 2018, on behalf of The Vanguard Group (“Vanguard”). Based upon filing, Vanguard beneficially owns 2,477,996 shares.
-

(6) Includes shares subject to options granted under the Company's 2004 Equity Incentive Plan and the Company's 2013 Equity Incentive Plan which are exercisable currently or within 60 days of December 12, 2018, as follows: Mr. Reusser, 89,550; Mr. Nolan, 5,275; Mr. Ross, 0; Mr. Walther, 0; Mr. Yost, 17,125 shares; Mr. George, 57,150 shares; Ms. Mason, 15,925 shares; and directors, nominees and executive officers as a group, 194,650 shares.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

The following discussion describes and analyzes Esterline's compensation program for its NEOs. For fiscal 2018, our NEOs are:

- Curtis C. Reusser, Chairman, President & Chief Executive Officer ("CEO");
- Stephen M. Nolan, Executive Vice President & Chief Financial Officer ("CFO");
- Roger A. Ross, Executive Vice President and President, Sensors & Systems;
- Donald E. Walther, Executive Vice President & General Counsel;
- Albert S. Yost, Executive Vice President and President, Advanced Materials and Avionics & Controls;
- Robert D. George, Former Executive Vice President, Chief Financial Officer & Corporate Development; and
- Marcia J. Mason, Former Executive Vice President & General Counsel.

During fiscal 2018, Esterline experienced executive management changes, as follows:

Effective February 5, 2018, Mr. Nolan was appointed as Executive Vice President & CFO, and our former Executive Vice President & CFO, Mr. George, retired from his positions. Mr. George remained employed through August 1, 2018 to support the transition of responsibilities to Mr. Nolan as well as special activities at the request of the CEO. Effective May 15, 2018, Mr. Walther was appointed as Executive Vice President & General Counsel, and our former Executive Vice President & General Counsel, Ms. Mason, retired from her positions. Ms. Mason remained employed through October 1, 2018 to support the transition of responsibilities to Mr. Walther.

In the first quarter of fiscal 2018, we discovered accounting errors in the Power Systems business within our Sensors & Systems segment that caused us to restate our financial results for the fiscal year ended September 29, 2017 (the "Restatement"). Financial results included in this CD&A for fiscal 2017, fiscal 2016 and fiscal 2015, as may be applicable, are on a restated basis, unless otherwise noted.

Executive Summary

The key events related to Company performance and resulting executive compensation decisions in fiscal 2018 are outlined briefly below and described more fully in later sections of this CD&A.

We ended the year with similar sales of \$2.03 billion and lower Generally Accepted Accounting Principles (“GAAP”) net earnings from continuing operations of \$68.8 million, or \$2.32 per diluted share, compared with \$2.00 billion in sales and GAAP net earnings from continuing operations of \$118.9 million, or \$3.96 per diluted share, in fiscal 2017. As explained further in “Company Performance in Fiscal 2018” beginning on page 19 below, our GAAP net earnings from continuing operations in fiscal 2018 compared with fiscal 2017 were impacted by discrete tax effects due to the U.S. Tax Cuts and Jobs Act of 2017 (“TCJA”), the sale of our Kirkhill business in March 2018 as well as transaction expenses associated with the Merger. The Company’s financial results are reflected in incentive payouts to our NEOs that were below target – under both the fiscal 2018 annual incentive program and the 2016-2018 performance cycle of the long-term performance share plan (“PSP”). In addition, fiscal 2018 incentive payouts to our NEOs were not advantaged or disadvantaged by the financial impacts of the TCJA, which resulted in charges of \$49.9 million, or \$1.68 per diluted share, in fiscal 2018.

On October 9, 2018, we entered into the Merger Agreement with TransDigm. Under the terms of the Merger Agreement, upon completion of the Merger, all outstanding restricted stock units (“RSUs”) and PSP awards held by our NEOs will be cashed out at \$122.50 per share (with performance share awards vesting at target with proration), in each case, subject to deduction of any required withholding tax. Each stock option that is outstanding immediately prior to the completion of the merger, whether vested or unvested, will be cancelled and converted into the right to receive an amount in cash (without interest and subject to deduction for any required withholding tax) equal to the product obtained by multiplying (i) the amount by which \$122.50 exceeds the per-share exercise price of such stock option, by (ii) the total number of shares of ESL common stock underlying such stock option.

Key Compensation Program and Pay Decisions

The Compensation Committee, with the assistance of its consultant, examined the Company's executive compensation programs and confirmed that they continue to make sense to support the business. As a result, there were no changes to the executive compensation program for 2018.

Base salaries and target annual and long-term incentive (LTI) program award opportunities for NEOs (other than Messrs. Nolan and Walther) either remained unchanged from fiscal 2017 amounts or increased moderately for fiscal 2018 to acknowledge strength of individual performance and to align them more closely with the competitive market. Total target compensation for our CEO remained unchanged from fiscal 2017.

Our fiscal 2018 annual incentive program was based on earnings from continuing operations before interest and taxes ("EBIT"), return on sales ("ROS"), and the achievement of performance objectives under our strategic plan established at the beginning of the year. The EBIT target and ROS target for fiscal 2018 were \$198.6 million and 9.60%, respectively. Based on aggregate achievement of the financial metrics, taking into account certain adjustments as further explained under "Specific Compensation Decisions for NEOs in Fiscal 2018" beginning on page 22, and the achievement level of the pre-established strategic objectives, each NEO earned a payout that was 93.6% of target. As further explained below, the target payout for each of Messrs. Ross and Yost and Ms. Mason was adjusted downward from their initial target payout set for fiscal 2018 as a result of the Restatement.

The 2016-2018 performance cycle of the PSP was based on average return on invested capital ("ROIC") and net earnings per diluted share ("EPS"), with three-year targets of 9.6% and \$6.35, respectively. Actual ROIC and EPS performance were below these targets. As a result, no payouts were made to our NEOs for the 2016-2018 performance cycle under the PSP.

As a result of the Restatement, the Compensation Committee and the Board of Directors applied the Company's clawback policy (which is described below in this CD&A) to compensation earned based on fiscal 2016 and fiscal 2017 financial performance by the Company's NEOs, other than Messrs. Nolan and Walther, who were hired by the Company subsequent to the events that led to the Restatement. Messrs. Reusser and George had \$121,465 and \$47,905, respectively, deducted from their payroll compensation during fiscal 2018. In addition, the 2018 annual incentive dollar-based target awards for Messrs. Ross and Yost and Ms. Mason were reduced by 10%, and as a result each earned \$22,100, \$25,334 and \$22,545, respectively, less than they would have earned if their targets had not been reduced. Further information about these adjustments is set forth below under "Specific Compensation Decisions for NEOs in Fiscal 2018" beginning on page 22.

The Committee believes that the fiscal 2018 pay decisions were appropriate in light of the Company's performance and that the overall pay program continues to align pay and performance over time. It should be noted that our NEOs (other than Messrs. Nolan and Walther) were paid an average amount equal to approximately 72% of target payout under our annual incentive plan (without the downward adjustment to the fiscal 2018 payout due to the Restatement) over the last three fiscal years and received no payout under our PSP in the last three fiscal years.

Objectives of our Executive Compensation Program

The Committee works to provide our executives with competitive compensation opportunities that reward strong performance and promote shareholder interests. We base our executive compensation practices on principles designed to align executive compensation with Company business strategy, management initiatives, financial objectives and performance. In applying these principles, the Committee has established an executive compensation program to:

- Attract and retain key executives critical to the success of the Company;
- Ensure the long-term retention and continued development of strong operating leaders capable of managing a growing number of worldwide operations;
- Reinforce a pay-for-performance environment that provides awards based on both the Company's annual financial results and its longer-term achievements;
- Reward executives for long-term strategic management and the enhancement of shareholder value;
- Provide an appropriate mix of fixed and variable pay; and

◆ Optimize organizational and individual performance, while controlling for potential risks through thoughtful program design and sound administration.

The Committee applies the same philosophy, objectives, and methods for establishing the CEO's compensation as it does for all other executive officers.

Summary of Compensation Program Components

We believe the components of our compensation program are well-aligned to accomplish the objectives listed above. The Committee reviews the executive compensation program annually and makes adjustments as appropriate to meet Company objectives. For fiscal year 2018, our executive compensation program had the following principal components:

PRINCIPAL ELEMENTS OF COMPENSATION FOR FISCAL 2018

Base Salary	<ul style="list-style-type: none"> • Provides a competitive level of annual compensation to attract and retain executives with the skills and experience necessary to lead our Company.
Annual cash incentive opportunities	<ul style="list-style-type: none"> • Focus and reward our NEOs on achievement of critical annual financial goals and key performance objectives to help the Company achieve its strategic plan priorities. For fiscal 2018, performance was measured by EBIT and ROS, as well as achievement of the strategic performance objectives. • Serve as a critical element of our overall pay-for-performance approach.
Long-term Performance Share Plan incentive opportunities (35%)	<ul style="list-style-type: none"> • Focuses and rewards our NEOs on driving profitable growth over time, which is strongly correlated with share price appreciation and shareholder value. • Financial metrics include net income from continuing operations during the performance cycle three-year compound annual growth in EPS and three-year average annual ROIC. • All current performance cycles are settled in shares under the Company's PSP.
Stock options (35%) Restricted stock units (30%)	<ul style="list-style-type: none"> • Link pay for our NEOs directly to the shareholder experience, as potential compensatory value to the executive comes only with increases in the Company's share price. • Address our retention objectives directly, reinforce a strong ownership culture and achieve a minimum level of net income from continuing operations. • Further the alignment of executive interests with shareholders.
Retirement earnings opportunities	<ul style="list-style-type: none"> • Contribute to a competitive compensation package, thereby helping the Company to attract and retain talented executives. Principally, these programs are designed to: <ul style="list-style-type: none"> • Help our NEOs and other employees save for their retirement; and • Provide the opportunity to plan and defer taxation on income. • The programs are as follows: <ul style="list-style-type: none"> • A 401K savings plan, supplemented with a nonqualified, unsecured, executive retirement and deferred compensation plan ("DC SERP") that permits deferrals in excess of certain compensation limits that apply to the underlying tax-qualified 401(k) plan. The DC SERP also provides a corresponding Company match that applies to the underlying tax-qualified plan. This design is commonly known as a "restoration" plan because it allows executives to contribute to and earn retirement savings levels that are equivalent to those available to the general workforce, measured as a percentage of compensation. • A traditional pension plan, supplemented with a nonqualified, unsecured, executive retirement pension plan ("Pension SERP") that permits executives to earn pension benefits on compensation that is in excess of certain compensation limits that apply to the tax-qualified pension program. The Pension SERP design is also a "restoration" plan because it allows executives to earn and accrue pension benefits equivalent to those of the general workforce, measured as a percentage of compensation.

- Are further described in the "Benefits and Other Programs" section of this CD&A on page 28.

PRINCIPAL ELEMENTS OF COMPENSATION FOR FISCAL 2018

Limitations mainly comprised of conservative allowances for car expenses, airline club memberships and financial planning advisory services that (1) save time and maintain focus for our executives; (2) provide our executives value beyond their cost to the Company; and (3) are fairly common in the broader market and in keeping with reasonable, competitive practices.

Change intended to minimize personal considerations and maintain focus on the Company in the event of rumored or actual inchange in corporate control. These are "double-trigger" benefits, meaning that no benefits are due under these agreements unless there is both: (1) a change in control; and (2) a loss of employment due to termination by the Company without cause or by specified circumstances that constitute good reason to resign.

agreements

- Do not provide any tax gross-ups for personal tax liabilities that might apply to any of these change-in-control benefits other than those associated with continuation of benefits.
-

With respect to the principal elements of our executive pay program above, we consider annual incentives, long-term incentives and stock options to be performance based, because all of these three elements are valuable to the executive only if performance goals are achieved and/or share price improves. Further, the value of RSU grants also varies directly with share price performance, and vesting of RSUs is subject to the achievement of a minimum performance threshold of net income from continuing operations.

We also consider the mix of fixed (e.g., base salary) and variable (e.g., annual and long-term incentives) pay opportunity when reviewing target total compensation.

*Values for options and RSUs were based on the percentage of each NEO's annual long-term incentive allocated to options and RSUs, respectively, as indicated in the table under "Long-Term Incentives" on page 25. Actual mix, calculated using grant date value may be slightly different.

Compensation Decision Process

Market-Based Assessments of Pay Opportunities for Our NEOs

Each year, the Committee reviews current competitive market information on executive pay levels for our executives. For fiscal year 2018, the Committee retained Semler Brossy as its independent advisor to assist with this benchmarking work, and to advise the Committee generally as to other executive compensation matters.

In determining fiscal 2018 compensation, the Committee referenced available public information for a group of peer companies, identified with the help of Semler Brossy based principally on the following criteria: similar businesses and industries, comparable size, and subject to similar public reporting requirements. Some of the information for the peer companies relates to the most recent completed fiscal year for such peers prior to when the Committee assesses the benchmark data early in the Company's fiscal year.

In selecting companies with similar business focus, primary consideration was given to Aerospace and Defense, with representation of broader industrial companies held to roughly one-third by number of the total group. The Committee reviews the peer group annually, working to ensure the peer companies closely align with Esterline by financial size and business focus, and that the total group remains a reasonable representation of the competitive market for our senior-most executive roles.

For fiscal 2018, there were no changes made to the peer group, comprised of the following 17 companies.

AAR Corp.	Curtiss-Wright Corp.	Roper Industries Inc.
AMETEK Inc.	HEICO Corp.	Teledyne Technologies Inc.
Barnes Group Inc.	Hexcel Corp.	TransDigm Group Inc.
BE Aerospace Inc.	Moog Inc.	Triumph Group Inc.
Crane Co.	Orbital ATK	Woodward Inc.
Cubic Corp.	Rockwell Collins Inc.	

Key statistics for fiscal year 2016 for these 17 peer companies as compared with Esterline's corresponding metrics for fiscal year 2016 are as follows:

- Median revenue was \$2.3 billion (25th percentile: \$2.0 billion) versus Esterline's revenue of \$2.0 billion;
- Median market capitalization was \$5.0 billion (25th percentile: \$3.6 billion) versus Esterline's \$2.7 billion; and
- Median total capital was \$2.0 billion (25th percentile: \$1.8 billion) versus Esterline's \$2.5 billion.

In addition, the Committee reviewed pay information from the following published surveys to complement the peer group information. The surveys were selected to represent pay levels for positions of comparable responsibility within companies of comparable size to Esterline. The precise make-up of the participating companies is proprietary to the survey administrators and therefore not available to the Company. For fiscal 2018 compensation decisions, we looked to two leading survey sources:

- September 2017 CDB General Industry Executive Compensation Report, reporting data from 386 participating companies using a regression to the Company's \$2.0 billion in revenue in fiscal 2016 and
- September 2017 Equilar Top 25 Executive Compensation Survey, reporting data from 213 participating companies with annual revenues between \$1 billion and \$3 billion.

In determining fiscal 2018 compensation, the Committee reviewed and compared the executives' aggregate target direct compensation (base salary, short- and long-term incentives at target) against the aggregate compensation offered to executives in the 2018 peer group and the market surveys. In doing so, the Committee focused principally on competitive 25th and 50th percentile values. For the most part, the 25th percentile competitive reference simply acknowledges Esterline's relative size among the defined peer companies.

Review of Total Compensation

When the Committee evaluates any significant component of an executive officer's total compensation, it considers the aggregate amounts and mix of all components in making its decision. For fiscal 2018, the Committee reviewed all components of compensation for each executive officer to get a complete picture of the total compensation

opportunities awarded, including base salary, annual incentive compensation, long-term incentive compensation, retirement earnings opportunities, the dollar value to the executive and cost to the Company of all perquisites and other personal benefits. The Committee does not target any single element of compensation to specific peer company percentiles; rather, the Committee reviews pay for our NEOs relative to the peer and survey data to ensure that pay levels are reasonable relative to the 25th and 50th percentile benchmarks.

Governance Process

The Committee and the independent members of the Board approve all officer compensation programs and establish individual pay levels for all executive officers. In doing so, the Committee consults with its independent executive compensation advisor, Semler Brossy, which has no other business relationships with Esterline. The independent advisor routinely provides the Committee with an evaluation of the market competitiveness of executive compensation packages, advice on CEO and other executive pay decisions, and advice on other compensation-related matters, in each case, as requested by the Committee. The firm reports directly to the Committee, and the Committee has the authority to replace the firm or hire additional consultants at any time. A representative of the firm attends meetings of the Committee, upon request, and communicates with the Committee chair and members between meetings. While the Committee values the advice of its consultant, the Committee and the independent members of the Board are the sole decision-makers concerning compensation

of executive officers. The Committee assessed the independence of its advisors, including Semler Brossy, in accordance with applicable rules of the SEC regarding independence of advisors to compensation committees. As part of this assessment, the Committee reviewed independence and conflict of interest policies of its advisors as well as each advisor's relationship with the Company. Based on this review and assessment, the Committee determined that there were no independence or conflict of interest issues related to any of its advisors, including Semler Brossy.

The Committee also seeks recommendations from management – the CEO and the Executive Vice President & Chief Human Resources Officer – as to appropriate program changes and pay levels for all executive officers apart from the CEO. The CFO and the Executive Vice President & General Counsel are also consulted with respect to appropriate changes in pay design. For all officers, the Committee consults with its outside advisor as to those recommendations and seeks specific advice as to appropriate pay levels for the CEO. In addition, the Committee and the independent members of the Board conduct an annual performance evaluation of the CEO, the results of which significantly contribute to decisions concerning CEO compensation. On this basis, the Committee develops proposals for consideration by all independent directors, who act on those proposals in executive session, outside the presence of the CEO and any other officers.

Say on Pay Vote

We had an advisory vote on our executive compensation program (commonly referred to as the “say on pay” vote) at our annual meeting of shareholders held on February 8, 2018, as required under the Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd–Frank Act”). Our 2018 “say on pay” vote received strong support from shareholders, garnering approximately 81% “For” votes. We take this continued, solid shareholder support as an assurance that our executive pay program and practices continue to be reasonable and well aligned with shareholder expectations.

We will continue to review our overall approach to executive pay annually, and we expect to make changes from time to time to ensure it remains well aligned with Company business strategy and with shareholder interests and provides appropriate earning opportunities for our executives.

We will continue to hold an advisory vote on executive compensation on an annual basis. We are and will remain committed to being responsive to shareholder feedback, and the results of our annual “say on pay” votes inform the Committee's discussions about the executive pay program.

Risk Assessment

In developing and reviewing the Company's executive incentive programs, management and the Committee analyze the elements of the program, including the incentives inherent in program designs, to help ensure they do not induce executives to undertake unacceptable levels of business risk. Our compensation program, in total, is intended to reward the management team for strong performance over the long term, with consideration to near–term actions and results that strengthen and protect our Company. We believe our balanced approach to performance measurement and to compensation program design works and includes appropriate safeguards. Further, program administration is subject to effective internal controls, and when determining the principal outcomes – performance assessments and pay decisions – we rely on principles of sound governance and good business judgment. The Committee remains satisfied that our plan designs are conservative in this respect, and that, together, the various components of pay work as a check and balance to ensure executive incentives are consistent with shareholder interests. These checks and balances work across a few key dimensions:

- **Time:** Our executive pay programs balance annual and long-term performance measurement and pay delivery.

Performance focus: Our incentive pay programs balance growth (e.g., EBIT, EPS) and profitability (e.g., ROS, ROIC, earnings from continuing operations before income taxes and net income from continuing operations), with both an annual and long-term lens (per the above).

•Cash and equity pay: Our executive pay programs balance cash compensation – a tangible, more immediate currency – with equity compensation – which is directly tied to the shareholder experience and serves to align interests.
Executive Stock Ownership and Holding Requirements and Insider Trading Policy

Since 2012, we have in place stock ownership requirements for our executive officers to strengthen the alignment of executive interests with those of our shareholders. Under the current policy effective in February 2016, our CEO is required to own shares of our Common Stock having a value equal to five times base salary other executive officers are required to own shares of our Common Stock having a value equal to three times base salary (the “Revised Threshold”). Prior to February 2016, the value of shares of Common Stock to be held by our CEO was three times annual base salary and by our other NEOs was one times base salary (“Original Threshold”). While the policy does not require attainment of the threshold levels within a

specified period of time, to ensure progress against these requirements and to ensure maintenance of these ownership levels over time, our executive officers are required:

- to hold 50% of shares of our Common Stock acquired upon the exercise of stock options granted, net of income taxes due
- to hold 50% of shares of our Common Stock received upon vesting of RSUs, net of income taxes due and
- to hold 50% of shares earned under the PSP, net of income taxes due.

These conditions apply to (i) stock options granted between December 8, 2011, and January 31, 2016, (ii) RSUs granted between December 5, 2013, and January 31, 2016, and (iii) PSP awards granted between November 18, 2015, and January 31, 2016, until the Original Threshold levels are met, and apply to stock options, RSUs and PSP awards granted on or after February 1, 2016, until the Revised Threshold levels are met. As of the end of fiscal 2018, all of our current NEOs subject to the Original Threshold had achieved the Original Threshold level of equity ownership. The only current NEO who had achieved the Revised Threshold of equity ownership as of the end of fiscal 2018 was Mr. Reusser, due in part to the fact that this level was first established during fiscal 2016.

We maintain an Insider Trading Policy that includes provisions prohibiting NEOs, directors and employees from engaging in short-term or speculative transactions in the Company's securities. The policy also prohibits other transactions in the Company's securities such as short sales, put or call options, hedging transactions, margin accounts and pledges, and other actions that may lead to inadvertent violations of the insider trading laws.

Clawback Policy

The Committee has adopted a compensation recovery policy applicable to the Company's incentive plans, often referred to as a "clawback" policy. This policy supplemented existing clawback provisions that apply to the CEO and CFO under the Sarbanes-Oxley Act of 2002. Sarbanes-Oxley provides that the CEO and the CFO must reimburse the Company for any bonus or other incentive-based or equity-based compensation received during the twelve-month period following the preparation of an accounting restatement, where the restatement is caused by misconduct.

The policy applies to the top senior leaders of the Company, including the NEOs, the platform presidents and financial directors and senior managers on corporate staff. The policy extends to all incentive programs (cash and equity, annual and long-term), gains made on option exercises or stock sales, awards received, monies earned, and grants made in the current fiscal year and the previous three fiscal years. The policy covers the following events:

- any material error that causes a financial restatement, irrespective of cause
- material error in internal, non-public business unit or platform financial statements, in addition to corporate financial statements subject to SEC public reporting and
- misconduct of any type that harms the Company, whether it affects financial statements or not (e.g., attempted bribery or other fraud, misuse of trade secrets for personal gain, etc.).

In the first quarter of fiscal 2018, the Company discovered certain accounting errors at the Power Systems business in the Company's Sensors & Systems segment, and subsequently restated its reported financial statements for the fiscal year ended September 29, 2017. In light of the Restatement, the Committee determined, in its discretion as permitted under the policy, to apply the clawback policy and reduce compensation earned in fiscal 2018 by the NEO's, other than Messrs. Nolan and Walther, who were hired after the events leading to the Restatement occurred. The Committee's determination of the impact to each NEO took into account the NEO's management oversight for the underlying events and also considered that no fraudulent acts or intentional misconduct were factors in the events leading to the Restatement. Further information about the resulting impacts of the application of the clawback policy to compensation earned by the applicable NEOs in fiscal 2018 is set forth under "Specific Compensation Decisions for NEOs in Fiscal 2018" beginning on page 22 below.

The Committee is aware of a rule-making process pending with the SEC pursuant to its implementation of statutory clawback provisions contained in the Dodd-Frank Act. The Committee will continue to monitor developments in this area, and will reconsider and revise its policy, as needed, when the SEC issues final rules relating to compensation clawbacks.

Other Considerations

In determining executive compensation, the Committee also considers, among other factors, the possible tax consequences to Esterline and to its executives. For example:

• Prior to the enactment of the TCJA, the Committee considered the exception for performance-based compensation under Section 162(m) of the IRC in designing our compensation programs, but retained the flexibility and discretion to grant compensation awards, whether or not deductible under Section 162(m) of the IRC. Due to the repeal of the exception for performance-based compensation under the TCJA, compensation awarded to our NEOs in fiscal 2018 will not be eligible for favorable treatment under Section 162(m) of the IRC. The Committee continues to evaluate this area relative to the Company's compensation programs given the changes in the treatment of performance-based compensation under the TCJA.

• We considered the tax ramifications of the change in control termination protection agreements with our officers under Section 280G and Section 4999 of the IRC. The Company does not gross up such payments or otherwise pay an officer's individual tax liability in these circumstances. The agreements generally provide that in the event any payments under the agreements are considered to be "excess parachute payments" under Section 280G, either alone or together with other payments from us, the payments will be reduced so that the payments will not be treated as "excess parachute payments." However, this payment reduction will only take place if the reduction would provide to the officer a greater net, after-tax benefit than he or she would receive if the payments were not subject to the reduction.

• We considered the potential impact of Section 409A of the IRC on our compensation programs, which imposes tax penalties on certain nonqualified deferred compensation arrangements. We operate our covered arrangements in a manner intended to comply with or be exempt from Section 409A.

The Committee also considers the accounting consequences to the Company of different compensation decisions, as well as the impact on shareholder dilution. In addition, in setting target financial performance under the Company's plans and measuring Company performance against the targets, the Committee excludes material impacts of GAAP-mandated changes or changes in applicable tax laws and regulations.

Company Performance in Fiscal 2018

In fiscal 2018, Esterline achieved sales of \$2.03 billion, which was similar to fiscal 2017 sales of \$2.00 billion. The Company recorded earnings from continuing operations of \$68.8 million, or \$2.32 per diluted share, in fiscal 2018 compared with earnings from continuing operations of \$118.9 million, or \$3.96 per diluted share, in fiscal 2017. The Company generated cash flows from operations of \$214.1 million in fiscal 2018 compared with \$193.4 million in fiscal 2017, an increase of 10.7%. Backlog ended fiscal year 2018 at \$1.48 billion, up from backlog of \$1.30 billion in fiscal 2017. As introduced in the Executive Summary above, fiscal 2018 financial results were impacted significantly by the following:

• The Company's financial performance in fiscal 2018 was generally in-line with its expectations but impacted by one-time events. As a result, our GAAP financial performance was weaker in some key metrics in fiscal 2018 compared with fiscal 2017. Due to the nature of certain one-time events, the financial impacts of such events were excluded from the calculation of results for purposes of determining the achievement of target performance under the 2018 annual incentive plan, as further explained under "Specific Compensation Decisions for NEOs in Fiscal 2018" beginning on page 22 below.

• The TCJA, which was enacted in December 2017, required the Company to record provisional discrete tax expenses of \$49.9 million, or \$1.68 per diluted share.

• The Company sold its Kirkhill business in March 2018, which contributed \$35.5 million of revenue in fiscal 2018 compared with \$98.3 million in revenue in fiscal 2017. The Company incurred \$6.4 million before tax, or \$0.15 per diluted share, in aggregate losses and charges on the sale of Kirkhill.

•The Company incurred \$7.2 million before tax, or \$0.17 per diluted share, of expenses related to the proposed Merger with TransDigm.

Key operating financial metrics for restated fiscal 2017, as reported fiscal 2017 and fiscal 2018, as well as adjusted fiscal 2017 and fiscal 2018 financial metrics are summarized in the table below. While Esterline also considers net earnings from continuing operations and adjusted net earnings from continuing operations as additional metrics to gauge its performance, the metrics in the table below are the basis for the financial targets set under its incentive compensation plans. The amounts under the columns for “Adjusted Fiscal 2017” and “Adjusted Fiscal 2018” reflected in the table below include the adjustments described in the footnotes to the table and were the basis for measuring achievement of the financial targets under our annual incentive plan and PSP. In addition, amounts under “Adjusted Fiscal 2017” reflect adjustments to the “As Reported GAAP

Fiscal 2017” column, as neither the adjustment amounts nor the resulting amounts under “Adjusted Fiscal 2017” were re-calculated following the Restatement.

In thousands, except per share amounts.

	Restated	As Reported	Adjusted	GAAP	Adjusted
	GAAP	GAAP	Fiscal	Fiscal	Fiscal
Key Operating Metrics	Fiscal	Fiscal	Fiscal	Fiscal	Fiscal
	2017	2017	2017	2018	2018