

CHINA EASTERN AIRLINES CORP LTD  
Form 6-K  
January 04, 2013

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 6-K**

**Report of Foreign Private Issuer**

**Pursuant to Rule 13a-16 or 15d-16**

**under the Securities Exchange Act of 1934**

For the month of January 2013

Commission File Number: 001-14550

China Eastern Airlines Corporation Limited

(Translation of Registrant's name into English)

Board Secretariat's Office

Kong Gang San Lu, Number 88

Shanghai, China 200335

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:  Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:  Yes  No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): n/a

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**China Eastern Airlines**  
**Corporation Limited**  
(Registrant)

Date January 4, 2013 By/s/ Wang Jian  
Name: Wang Jian  
Title: Joint Company Secretary

*Certain statements contained in this announcement may be regarded as "forward-looking statements" within the meaning of the U.S. Securities Exchange Act of 1934, as amended. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual performance, financial condition or results of operations of the Company to be materially different from any future performance, financial condition or results of operations implied by such forward-looking statements. Further information regarding these risks, uncertainties and other factors is included in the Company's filings with the U.S. Securities and Exchange Commission. The forward-looking statements included in this announcement represent the Company's views as of the date of this announcement. While the Company anticipates that subsequent events and developments may cause the Company's views to change, the Company specifically disclaims any obligation to update these forward-looking statements, unless required by applicable laws. These forward-looking statements should not be relied upon as representing the Company's views as of any date subsequent to the date of this announcement.*

For Main Board and GEM listed issuers

Monthly Return of Equity Issuer on Movements in Securities

For the month ended (dd/mm/yyyy) : **31/12/2012**

To : Hong Kong Exchanges and Clearing Limited

Name of Issuer China Eastern Airlines Corporation Limited (the "Company")

Date Submitted 04/01/2013

#### I. Movements in Authorised Share Capital

##### 1. Ordinary Shares

(1) Stock code : 00670 Description : H Shares

No. of ordinary shares	Par value ( <i>State currency</i> )	Authorised share capital ( <i>State currency</i> )
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Balance at close of preceding month 3,494,325,000 RMB1.00 RMB3,494,325,000

Increase/(decrease) N/A N/A

Balance at close of the month 3,494,325,000 RMB1.00 RMB3,494,325,000

(2) Stock code : 600115 Description : A Shares

No. of ordinary shares	Par value <i>(State currency)</i>	Authorised share capital <i>(State currency)</i>
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Balance at close of preceding month 7,782,213,860 RMB1.00 RMB7,782,213,860

Increase/(decrease) N/A N/A

Balance at close of the month 7,782,213,860 RMB1.00 RMB7,782,213,860

For Main Board and GEM listed issuers

2. Preference Shares

Stock code :      Description :

No. of preference shares	Par value ( <i>State currency</i> )	Authorised share capital ( <i>State currency</i> )
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Balance at close of  
preceding month

Increase/(decrease)

Balance at close of the  
month

3. Other Classes of Shares

Stock code :      Description :

No. of other classes of shares	Par value ( <i>State currency</i> )	Authorised share capital ( <i>State currency</i> )
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Balance at close of  
preceding month

Increase/(decrease)

Balance at close of the  
month

Total authorised share capital at the end of the month (*State currency*) :    RMB11,276,538,860

For Main Board and GEM listed issuers

## II. Movements in Issued Share Capital

	No. of ordinary shares		No of preference shares	No. of other classes of shares
	(1)	(2)		
Balance at close of preceding month	3,494,325,000	7,782,213,860	N/A	N/A
Increase/ (decrease) during the month	N/A	N/A	N/A	N/A
Balance at close of the month	3,494,325,000	7,782,213,860	N/A	N/A

## III. Details of Movements in Issued Share Capital

### Share Options (under Share Option Schemes of the Issuer)

Particulars of share option scheme including EGM approval date	Movement during the month	No. of new shares of issuer issued during the month pursuant thereto	No. of new shares of issuer which may be issued pursuant thereto as at close of the month

1.

( / / )  
shares  
(Note 1)

2.

( / / )  
shares  
(Note 1)

3.

( / / )  
shares  
(Note 1)

Total A. (Ordinary shares)  
(Preference  
shares)  
(Other class)

Total funds raised during the month from  
exercise of  
options (State currency)



For Main Board and GEM listed issuers

Warrants to Issue Shares of the Issuer which are to be Listed

Description of warrants (Date of expiry - dd/mm/yyyy)	Currency of nominal value		Nominal value at close of preceding month		Nominal value exercised during the month		No. of new shares of issuer issued during the month pursuant thereto	No. of new shares of issuer which may be issued pursuant thereto as at close of the month
	nominal value		close of preceding month		at close of the month			

1.

( / / )  
 Stock code (if listed)  
 Class of shares  
 issuable (*Note 1*)  
 Subscription price  
 EGM approval date  
 (if applicable) ( / / )  
 (dd/mm/yyyy)  
 2.

( / / )  
 Stock code (if listed)  
 Class of shares  
 issuable (*Note 1*)  
 Subscription price  
 EGM approval date  
 (if applicable) ( / / )  
 (dd/mm/yyyy)  
 3.

( / / )  
 Stock code (if listed)  
 Class of shares  
 issuable (*Note 1*)  
 Subscription price  
 EGM approval date  
 (if applicable) ( / / )  
 (dd/mm/yyyy)

4.

( / / )

Stock code (if listed)

Class of shares

issuable (*Note 1*)

Subscription price

EGM approval date

(if applicable) ( / / )

(dd/mm/yyyy)

Total B. (Ordinary shares)

(Preference shares)

(Other class)

For Main Board and GEM listed issuers

Convertibles (i.e. Convertible into Shares of the Issuer which are to be Listed)

Class and description	Currency of amount outstanding	Amount at close of preceding month	Converted during the month	Amount at close of the month	No. of new shares of issuer issued during the month pursuant thereto	No. of new shares of issuer which may be issued pursuant thereto as at close of the month
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1.

Stock code (if listed)

Class of shares

issuable (*Note 1*)

Subscription price

EGM approval date

(if applicable) ( / / )

(dd/mm/yyyy)

2.

Stock code (if listed)

Class of shares

issuable (*Note 1*)

Subscription price

EGM approval date

(if applicable) ( / / )

(dd/mm/yyyy)

3.

Stock code (if listed)

Class of shares

issuable (*Note 1*)

Subscription price

EGM approval date

(if applicable) ( / / )

(dd/mm/yyyy)

4.

Stock code (if listed)

Class of shares

issuable (*Note 1*)

Subscription price

EGM approval date

(if applicable) ( / / )

(dd/mm/yyyy)

Total C. (Ordinary shares)

(Preference shares)

(Other class)

Any other Agreements or Arrangements to Issue Shares of the Issuer which are to be Listed, including Options (other than under Share Option Schemes)

For Main Board and GEM listed issuers

Full particulars including EGM approval date (dd/mm/yyyy), if applicable, and class of shares issuable:	No. of new shares of issuer issued during the month thereto	No. of new shares of issuer which may be issued pursuant thereto as at close of the month
<p>On 11 September 2012, China Eastern Air Holding Company (“<b>CEA Holding</b>”) and (CES Finance Holding Co. Ltd) (“<b>CES Finance</b>”) entered into an A shares subscription agreement with the Company, pursuant to which: (a) CEA Holding agrees to, at the subscription price of RMB3.28 per share, subscribe in cash for 241,547,927 new A Shares with a total subscription price of RMB792,277,200.56; and (b) CES Finance agrees to, at the subscription price of RMB3.28 per share, subscribe in cash for 1,457,317,073 new A Shares with a total subscription price of RMB1,499,999,999.44. (“A Share Subscription”).</p>	NIL	698,865,000

An extraordinary general meeting (“**EGM**”) of the Company was held on 9 November 2012 where the shareholders have approved the above-mentioned A Share Subscription.

A shares ( <i>Note 1</i> )	NIL	698,865,000
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<p>On 11 September 2012, (CES Global Holdings (Hong Kong) Limited) (“<b>CES Global</b>”) entered into a H shares subscription agreement with the Company, pursuant to which, CES Global will, at the subscription price of HK\$2.32 per share, subscribe in cash for 698,865,000 new H Shares with a total subscription price of HK\$1,621,366,800 (“H Share Subscription”).</p>		
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The EGM was held on 9 November 2012 where the shareholders have approved the above-mentioned H Share Subscription.

H shares ( <i>Note 1</i> )	NIL	698,865,000
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3.

( / / )  
shares (*Note 1*)

Total D. (Ordinary shares)	NIL	
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(Preference shares)

(Other class)

For Main Board and GEM listed issuers

Other Movements in Issued Share Capital

Type of Issue		No. of new shares of issuer issued during the month pursuant thereto	No. of new shares of issuer which may be issued pursuant thereto as at close of the month
	Class of shares issuable (Note 1)		
1. Rights issue	At price : State currency	Issue and allotment date : (dd/mm/yyyy)	( / / )
		EGM approval date: (dd/mm/yyyy)	( / / )
	Class of shares issuable (Note 1)		
2. Open offer	At price : State currency	Issue and allotment date : (dd/mm/yyyy)	( / / )
		EGM approval date: (dd/mm/yyyy)	( / / )
	Class of shares issuable (Note 1)		
3. Placing	At price : State currency	Issue and allotment date : (dd/mm/yyyy)	( / / )

EGM approval date: ( / / )  
(dd/mm/yyyy)

Class of shares issuable  
(Note 1)

4. Bonus issue

Issue and allotment ( / / )  
date : (dd/mm/yyyy)

EGM approval date: ( / / )  
(dd/mm/yyyy)



For Main Board and GEM listed issuers

Type of Issue	No. of new shares of issuer issued during the month pursuant thereto	No. of new shares of issuer which may be issued pursuant thereto as at close of the month
5. Scrip dividend At price : State currency	Class of shares issuable (Note 1) Issue and allotment date : (dd/mm/yyyy) ( / / )	
	EGM approval date: (dd/mm/yyyy) ( / / )	
6. Repurchase of shares	Class of shares repurchased (Note 1) Cancellation date : (dd/mm/yyyy) ( / / )	
	EGM approval date: (dd/mm/yyyy) ( / / )	
7. Redemption of shares	Class of shares redeemed (Note 1) Redemption date : (dd/mm/yyyy) ( / / )	
	EGM approval date: (dd/mm/yyyy) ( / / )	

Class of shares issuable  
(Note 1)

8. Consideration At price : State Issue and allotment ( / / )  
issue currency date : (dd/mm/yyyy)

EGM approval date: ( / / )  
(dd/mm/yyyy)

Class of shares issuable  
(Note 1)

9. Capital Issue and allotment ( / / )  
reorganisation date : (dd/mm/yyyy)

EGM approval date: ( / / )  
(dd/mm/yyyy)

## For Main Board and GEM listed issuers

Type of Issue

No. of new shares of issuer issued during the month pursuant thereto

No. of new shares of issuer which may be issued pursuant thereto as at close of the month

Name	Fees Earned or Paid in Cash (2) (\$)	Stock Awards (3) (\$)	Option Awards (4) (\$)	All Other Compensation (5) (\$)	Total (\$)
Robert J. Bahash	160,000	75,007	74,999	286	310,292
Patricia Nazemetz	145,000	75,007	74,999	286	295,292
Louis J. Nicastro	125,000	75,007	74,999	488,191	763,197
Neil D. Nicastro	135,000	75,007	74,999	27,991	312,997
Edward W. Rabin, Jr.	205,000	75,007	74,999	286	355,292
Ira S. Sheinfeld	125,000	75,007	74,999	286	275,292
Bobby L. Siller	140,000	75,007	74,999	286	290,292
William J. Vareschi, Jr.	162,500	75,007	74,999	12,189	324,695
Keith R. Wyche (1)	127,500	75,007	74,999	286	277,792

- (1) *Service for Less than the Fiscal Year:* Mr. Wyche served on the Nominating and Corporate Governance Committee of our Board for a portion of fiscal year 2012, beginning in December 2011.
- (2) *Fees Earned or Paid in Cash:* This column reflects annual cash fees paid in monthly installments to directors while they serve as a director. Non-employee directors serving in committee positions receive additional annual cash compensation, with the chair of the committee receiving fees at a higher annual rate. All such annual fees are paid in monthly installments as services are rendered. The annual rates for such services for fiscal year 2012 are set forth below:

Position	Audit and Ethics Committee Fees	Compensation Committee Fees	Nominating and Corporate Governance Committee Fees	Gaming Compliance Committee Fees
Chair	\$ 30,000	\$ 15,000	\$ 12,500	\$ 15,000
Member	25,000	5,000	5,000	10,000

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- (3) *Stock Awards:* The amounts shown in this column reflect the dollar amount of the grant date fair value of 3,741 shares of restricted stock granted on September 15, 2011 with restriction lapsing on 100% of such shares on September 15, 2013.
- (4) *Option Awards:* The amounts shown in this column reflect the dollar amount of 8,813 options awarded on September 15, 2011 with a vesting schedule of 100% on September 15, 2013.
- (5) *All Other Compensation:* Amounts shown in this column consist of (i) amounts reimbursed under a medical reimbursement plan made available to our directors and their spouses at our expense that is supplementary to their primary medical insurance and also includes amounts reimbursed as primary insurance for Mr. Louis Nicastro and his spouse (amounting to \$36,567) and Mr. Neil Nicastro and his family, (ii) life insurance premiums, (iii) travel and entertainment expenses of directors' spouses in connection with Board meetings and company-sponsored events and (iv) for Mr. Louis Nicastro includes \$450,000 paid to him under his Advisory Services Agreement described under Transactions with Related Persons.

*Director Emeritus Program*

We implemented a Director Emeritus program in 2004 as part of our director succession planning. The program provides that new directors elected after August 2004 will be subject to mandatory retirement from our Board at age 75 or after 20 years of service on our Board, provided that our Board may waive a director's mandatory retirement by action of 75% of the other directors. Members of our Board who were members when the program was adopted and who have reached the age of 75 or have served for at least 20 years will gradually be replaced by new directors in order to maintain continuity and avoid losing the benefit of valuable experience.

Each director leaving our Board for any reason who has reached at least 75 years of age, or who has served for at least 20 years on our Board, will be designated a Director Emeritus for four years after leaving our Board if the individual (i) is willing to assist our Board from time to time upon request by our Board, (ii) agrees not to use our trade secrets or confidential information and (iii) agrees not to solicit our employees on behalf of competitors. For each year or partial year of service on our Board or as an executive officer of ours or our predecessors (up to a maximum of 25 years), a Director Emeritus will receive each of the following:

- Ø A fee of \$1,500 per year of service, paid in each of the first two years after leaving our Board.
- Ø A fee of \$750 per year of service, paid in each of years three and four after leaving our Board.
- Ø Three months of continuing supplemental health coverage per year of service.
- Ø Fully vested five year stock options to purchase 1,500 shares per year of service, exercisable at 100% of the market price on the day the director leaves our Board.

Past executive service as a non-director executive of our company will not count when calculating a Director Emeritus award.

For example, both Mr. Louis Nicastro and Mr. Neil Nicastro, who are not standing for re-election at the Annual Meeting and who each served as one of our directors for more than 25 years, will receive: (i) \$37,500 per year for the first two years after leaving our Board; (ii) \$18,750 per year in each of the next two years; and (iii) an option to purchase 37,500 shares at the market price on the close of business on the day they retire from our Board. Under the program, each is entitled to 75 months of supplemental health coverage; however, pursuant to his previous employment relationship with us, Mr. Louis Nicastro and his spouse are eligible for continued primary health coverage. Mr. Louis Nicastro will also continue to receive consulting fees under our advisory services arrangement with him, as described below under Transactions with Related Persons.

**TRANSACTIONS WITH RELATED PERSONS**

The rules and regulations of the Securities and Exchange Commission require us to disclose in our Proxy Statement any and all material transactions with our company in which related persons have a direct or indirect material interest. Related persons include our directors, nominees for director, executive officers, and any

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immediate family members of such persons. Immediate family members are defined by the Securities and Exchange Commission to consist of a person's spouse, parents, children, siblings, mothers or fathers-in-law, sons or daughters-in-law, or brothers or sisters-in-law. Transactions include any financial transaction, arrangement or relationship, including any indebtedness transaction.

We review all relationships and transactions in which our company and our directors and executive officers or their immediate family members are participants to determine whether such persons have a direct or indirect material interest. Our policy and procedure regarding related person transactions is contained within our Code of Conduct. Our legal staff is primarily responsible for the development and implementation of processes and controls to obtain information from the directors and executive officers with respect to related person transactions and for then determining, based on the facts and circumstances, whether our company or a related person has a direct or indirect material interest in the transaction. Our Code of Conduct provides that no related person transaction may be undertaken by an employee, officer or director without full disclosure of the terms of such transaction in writing to our General Counsel and the approval of our General Counsel of the transaction. Our legal staff is also responsible for presenting any significant related person transactions to our Audit and Ethics Committee for their review in accordance with their Charter.

Based on the information available to us and provided to us by our directors and executive officers, we do not believe, except as described below, that any transactions with a related person were entered into during fiscal year 2012. An Advisory Agreement with Mr. Louis Nicastro, dated May 5, 2008 was previously approved and was amended on September 24, 2010. Under that amended agreement, Mr. Nicastro provides business advisory services to us as requested from time to time by our Board, Lead Director, Chairman or the Chair of any of our committees of the Board. In exchange for such services, we pay Mr. Nicastro \$450,000 per year in equal monthly installments. Pursuant to the 2010 amendment, the agreement will automatically renew for one-year terms ending June 30, unless either party gives not less than 90 days' notice not to renew prior to the expiration of the agreement. Mr. Neil Nicastro, a member of our Board, is the son of Mr. Louis Nicastro. Messrs. Louis and Neil Nicastro have notified us that they will retire from our Board at our 2012 Annual Meeting.

**EXECUTIVE OFFICERS**

The following individuals have been elected by our Board to serve in the capacities set forth below for WMS Industries Inc. until the next Annual Meeting of our Board and until their respective successors are elected and qualify.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Brian R. Gamache	53	<i>Chairman and Chief Executive Officer</i>
Orrin J. Edidin	51	<i>President</i>
Scott D. Schweinfurth	58	<i>Executive Vice President, Chief Financial Officer and Treasurer</i>
Larry J. Pacey	48	<i>Executive Vice President, Global Products and Chief Innovation Officer</i>
Kenneth Lochiatto	49	<i>Executive Vice President, Chief Operating Officer</i>
Kathleen J. McJohn	53	<i>Senior Vice President, General Counsel and Secretary</i>
John P. McNicholas, Jr.	59	<i>Vice President, Controller and Chief Accounting Officer</i>

**Brian R. Gamache** The principal occupation and employment experience of Mr. Gamache during the last five years is described under Proposal 1 Election of Directors above.

**Orrin J. Edidin** Orrin J. Edidin began serving as our President in July 2008. In July 2012, Mr. Edidin was also named President and Chief Executive Officer of our newly formed subsidiary, Williams Interactive LLC, which will bring together under one global umbrella organization all of our existing online, social, casual and mobile gaming operations and resources. Mr. Edidin joined our company in 1997 and served as our

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Vice President, Secretary and General Counsel until September 2001, when he became our Executive Vice President, General Counsel, Secretary and Chief Operating Officer. In January 2003, he resigned as General Counsel and in February 2003, he resigned as Secretary, continuing to serve as our Executive Vice President and Chief

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Operating Officer until he was named our President. Prior to joining our company, Mr. Edidin was Associate General Counsel for Fruit of the Loom, Inc. and Farley Industries. From 1986 through 1992, he was a Senior Attorney with the Chicago law firm of Katten Muchin Zavis Rosenman. Mr. Edidin is a Trustee of the International Association of Gaming Advisors and is Vice President of the Association of Gaming Equipment Manufacturers.

**Scott D. Schweinfurth** Scott D. Schweinfurth joined us in April 2000, assuming the offices of Executive Vice President, Chief Financial Officer and Treasurer. He is a registered certified public accountant and was, from 1996 until March 2000, Senior Vice President, Chief Financial Officer and Treasurer of the company now known as Bally Technologies (NYSE: BYI), a diversified gaming company. Mr. Schweinfurth also acted as Managing Director of Bally's Germany-based Bally Wulff subsidiary from November 1999 to March 2000. Bally acquired Bally Gaming International in 1996, where Mr. Schweinfurth had served as Senior Vice President, Chief Financial Officer and Treasurer since 1995. Prior to that time, he was employed by Ernst & Young for 18 years, the last six as a partner. Mr. Schweinfurth serves as the Chairman of the Accountancy Advisory Group of Miami University and is a Trustee of the International Association of Gaming Advisors and a member of its Audit Committee.

**Larry J. Pacey** Larry J. Pacey has served as our Executive Vice President, Global Products and Chief Innovation Officer since July 2008. Mr. Pacey joined our subsidiary, WMS Gaming Inc., in 2001 as Executive Director of Games. In 2002, he was promoted to Vice President of Game Development and then, in 2005, he was promoted to Senior Vice President of Product Development with additional responsibilities for engineering and game development. He has an extensive background in the interactive entertainment and video gaming industry, joining our company after previously having been Executive Producer with n-Space, Segasoft (a division of Sega) and Atari.

**Kenneth Lochiatto** Kenneth Lochiatto began serving as our Executive Vice President, Chief Operating Officer in July 2008. In July 2012, Mr. Lochiatto was named President and Chief Operating Officer of our subsidiary, WMS Gaming Inc., which he originally joined in April 2006 as Senior Vice President of Sales Operations. Prior to working for our company, Mr. Lochiatto spent 22 years with the General Electric Company (NYSE: GE), where he held a number of progressively more responsible positions in general management, sales, marketing and corporate audit. At General Electric, Mr. Lochiatto served as Americas Commercial Leader Fluids and Coatings in the GE Silicones sector from 2001 through 2003 and then as Business Leader Advanced Communication Systems within the GE Transportation segment until his departure in 2006.

**Kathleen J. McJohn** Kathleen J. McJohn joined us in January 2003, assuming the offices of Vice President, General Counsel and Secretary in February 2003. Ms. McJohn was named Senior Vice President, General Counsel and Secretary in June, 2012. Previously, Ms. McJohn served in the law department of Sears, Roebuck and Co. (NASDAQ: SHLD) for more than five years, lastly as Vice President, Law Merchandising, in which she served as their primary counsel for all merchandise businesses and was responsible for all commercial, regulatory and general legal counseling for the merchandise businesses. Ms. McJohn also served as corporate attorney for Amoco Corporation from 1993 to 1996 and began her career as an associate at Latham & Watkins, a global law practice.

**John P. McNicholas, Jr.** John P. McNicholas, Jr. joined us in September 2003, as Executive Director Finance. He was promoted to Chief Accounting Officer in November 2005 and to Vice President, Controller and Chief Accounting Officer in August 2006. He is a registered certified public accountant and was, from 2001 to 2003, an independent accounting consultant. From 1999 to 2001 he was Vice President Finance, Treasurer and Chief Financial Officer of ForeFront Education, Inc., a private company which acquired and operated for-profit colleges. Mr. McNicholas was Senior Vice President, Controller and Chief Accounting Officer of Information Resources, Inc. a NASDAQ market research and software company from 1995 to 1999. From 1985 to 1995, Mr. McNicholas held the position of Vice President, Controller and Chief Accounting Officer of ITEL Corporation, a New York Stock Exchange diversified holding company. Prior to that time, he was employed by Ernst & Young for nine years, the last four as an audit manager.





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**EXECUTIVE COMPENSATION**

**COMPENSATION DISCUSSION AND ANALYSIS**

**Introduction**

This Compensation Discussion and Analysis provides a detailed description of our executive compensation philosophy and programs, the compensation decisions made by the Compensation Committee and the issues considered in making such decisions. Our executive compensation programs are designed to attract, reward and retain our executive officers. This Compensation Discussion and Analysis focuses on the compensation of our named executive officers for the fiscal year ending June 30, 2012, who were:

<b>Name</b>	<b>Title</b>
Brian R. Gamache	Chairman of the Board and Chief Executive Officer
Orrin J. Edidin	President
Scott D. Schweinfurth	Executive Vice President, Chief Financial Officer and Treasurer
Larry J. Pacey	Executive Vice President, Global Products and Chief Innovation Officer
Kenneth Lochiatto	Executive Vice President, Chief Operating Officer

**Executive Summary**

***2011 Say-On-Pay Vote***

At our 2011 Annual Meeting of Stockholders, we conducted our first say-on-pay vote and 96.7% of the votes cast by our stockholders were in approval of our executive compensation program. In recognition of this high vote of support and our belief that our approach to compensation continues to represent a strong alignment between executive pay and the performance of our stock and business, we have made no changes to the program design for fiscal years 2012 and 2013. As a result of our alignment of pay with performance and recent challenges in our business and stock price performance, the pay realized by our named executive officers in fiscal year 2012 was between 35% and 45% of the values shown in the Summary Compensation Table. See the section beginning on page 38 of this Proxy Statement for a fuller explanation of the alignment between our named executive officers' pay and our performance, and the section beginning on page 41 for our Realized Pay Table.

***Key Business Developments***

The weak global economy remained a challenge for our industry in fiscal year 2012. The economic weakness has lowered consumer disposable income and hampered spending on leisure activities, including casino visits. Casino operators' response to the weak economy has been to maintain constraints on their capital budgets for replacing or adding new gaming machines. In addition, in fiscal year 2011 and the first half of fiscal year 2012, we experienced slower-than-anticipated commercialization of our new products.

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In light of these industry challenges and the slow rate of new product commercialization, we undertook a critical review of our business strategies and product plan in late fiscal year 2011 and early fiscal year 2012. As a result of that assessment, we took decisive actions in the fourth quarter of fiscal year 2011 and the first quarter of fiscal year 2012 to refine our product set and sharpen our focus on core products that would meet the near-term needs of our customers, and we realigned our organizational structure and resources to support the appropriate new priorities. In addition, we deferred certain selected projects for future development, terminated some product concepts that lacked sufficient customer demand and reduced our employee workforce by approximately 10% to adjust our cost structure to the lower level of revenues.

These decisions resulted in net pre-tax impairment and restructuring charges and asset write-downs of approximately \$28 million during fiscal year 2011, and a further \$14 million in the first quarter of fiscal year 2012. Notwithstanding these industry challenges and our incremental costs, we were profitable in each quarter of fiscal year 2012, and demonstrated meaningful operating progress in each sequential quarter during the fiscal year as a result of our improvement initiatives.

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We achieved the following in fiscal year 2012:

- Ø Our total revenues were \$690 million, we generated \$64 million of net income, inclusive of all costs and charges, and generated \$156 million of cash flow from operating activities.
- Ø We had quarterly sequential improvements in new unit shipments, total revenues, gross profit and operating income in each quarter of fiscal year 2012.
- Ø We improved the flow of new product commercialization during the year, while expanding the number of unique new math models underpinning the games, helping to drive quarterly sequential improvements in ship share in the second half of fiscal 2012.
- Ø We grew our sales of new game conversion kits throughout the year, selling 19,900 conversion kits in fiscal 2012 compared to 8,200 conversion kits in fiscal 2011 for an increase of 143%.
- Ø Beginning in the March 2012 quarter, we reversed the declining trend in the installed base of participation games and re-established our track record for introducing innovative new products to support the potential for further growth. By June 30, 2012, we increased the installed participation base by 279 units to 9,561 gaming machines from 9,282 at December 31, 2012.
- Ø We achieved a company record high product sales gross margin of 55% in the June 2012 quarter, which had been a goal for several years, and we accomplished this despite a lower average selling price for new units.
- Ø In aggregate, due to organizational restructuring and our disciplined approach to managing costs, we lowered our total selling and administrative and research and development expenses for the fiscal year by \$30 million versus the previous fiscal year, excluding impairment, restructuring and other charges for asset write-downs.
- Ø We purchased 2.4 million shares, or 4%, of our common stock for approximately \$50 million with an average price per share of \$20.62. By August 15, 2012, we reported that we had purchased another \$5 million or 0.6% of our common stock, and, as of that date, had approximately \$143 million remaining under our share repurchase authorization which will expire on August 2, 2013.
- Ø Our balance sheet remained strong. We ended our fiscal year on June 30, 2012 with \$76 million of cash, cash equivalents and restricted cash, \$60 million of long-term debt and more than \$877 million in stockholders' equity, which rose over the prior fiscal year and represented more than 73% of the \$1.2 billion in total assets on our balance sheet.
- Ø We sharpened our focus on our online, social, casual and mobile gaming products and services, to leverage our gaming content and resources to actively participate in the significant growth potential from the convergence of land-based casino gaming with interactive gaming distribution channels. In addition:

We completed the acquisitions of Jadestone Group and Phantom EFX to accelerate interactive initiatives at an aggregate purchase price of approximately \$34 million, inclusive of additional consideration.

We entered into a strategic alliance with 888 Holdings to pursue online poker initiatives in the U.S., including both play-for-fun and real money applications when legally permitted, as well as other online casino applications and opportunities.

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In early fiscal year 2013, we successfully launched Jackpot Party social casino on *Facebook*, incorporating gaming content from our fan-favorite casino slot games to offer a library of exclusively authentic, classic Las Vegas-style casino slot entertainment.

**Compensation Program Highlights.** We use the term target compensation to refer to salary and estimated values of bonus and other cash incentive compensation and equity compensation (excluding other

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benefits such as change in pension value and all other compensation as identified in our Summary Compensation Table). The following describes the highlights in the compensation program for our named executive officers:

- Ø **Pay for Performance.** For fiscal year 2012, approximately 76% of the total target compensation for our named executive officers was at risk because it consisted of performance-based compensation that varied in value based on our stock price or could only be earned upon the achievement of corporate and individual performance objectives designed to enhance stockholder value, or upon the increase in value of our stock and continued service with our company. Under our compensation program, our goal is for at least 70% of our named executive officers' target compensation to be performance-based.
- Ø **Realized Pay.** Our pay program is designed to vary realized pay based on demonstrated individual, business and stock price performance. Due to recent challenges in our business and stock price performance, the pay realized by our named executive officers in fiscal year 2012 was between 35% and 45% of the values shown in the Summary Compensation Table. See the section beginning on page 41 of this Proxy Statement for our Realized Pay Table and a more complete description of how performance has impacted realized pay.
- Ø **Stock Ownership Guidelines.** We have meaningful stock ownership guidelines for key executive officers, including each named executive officer.
- Ø **Incentive Compensation Based Upon GAAP Performance Metrics.** Our short-term and long-term incentive compensation is earned based primarily upon transparent performance metrics derived directly from our publicly filed financial statements prepared in accordance with generally accepted accounting principles.
- Ø **Consistent Performance Metrics.** Since we started our current long-term incentive program in August 2006, we have not changed, canceled or replaced established performance metrics during any performance period.
- Ø **Performance is Assessed over Overlapping Periods.** Our incentive compensation is earned over several different and overlapping short-term and long-term performance periods, ensuring that performance during any one period is not maximized at the expense of other performance periods.
- Ø **Reasonable Pay Differential.** We do not have an excessive differential in pay between our Chief Executive Officer and our next highest paid named executive officer:

Fiscal Year	Pay Differential
2012	1.87x
2011	1.84x
2010	1.87x

- Ø **Annual Risk Assessment.** In fiscal year 2012, as in previous years, the Compensation Committee concluded that our executive compensation programs do not encourage behaviors that would create risks reasonably likely to have a material adverse effect on our company.
- Ø **Low Share Utilization Rates.** In accordance with our December 2009 commitment to stockholders, we limited our average share usage to less than 3.32% of the average of our outstanding shares at each fiscal year end. Our three-year average usage rate of 2.39% was 28% under our commitment, and lower than the three year average for our comparator group (2.59%) and the three-year average for Russell 3000 Consumer Services companies in the Global Industry Classification Standard (2.70%).

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- Ø **Reasonable Allocation of Equity Compensation.** During the three-year period ended June 30, 2012, 26% of the equity compensation grants awarded were made to our named executive officers and our Board and 74% were made to other employees.
  
- Ø **Independent Compensation Consulting Firm.** The Compensation Committee benefits from its utilization of an independent compensation consulting firm which provides no other services to our company.

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Ø **No-Hedging Policy.** In accordance with the policy set by our Board, no executive officer may trade in our common stock without first obtaining approval of our General Counsel. Additionally, our employees and directors are not permitted to engage in any of the following activities with respect to our securities:

Purchases on margin;

Short sales;

Buying or selling put options or call options; or

Other hedging transactions (e.g., over-the-counter equity options, pre-paid forward sales, equity collars, or exchange funds).

Ø **Policy Regarding Grant of Stock Options.** Stock option grants may only be made at a meeting of our Board and will generally be granted shortly following a release of financial results. Stock options may also be used as new hire, promotion or retention grants. No grants of stock options will be made when our Compensation Committee or Board is advised by our General Counsel that our executive officers are in possession of non-public information concerning our company.

Ø **No Repricing of Awards.** Repricing of underwater stock options and other awards is expressly prohibited without stockholder approval. The Company has not repriced any equity incentive awards.

Ø **No Below Market Stock Option Grants.** Our Incentive Plan prohibits any grant of stock options with exercise prices that are below the fair market value of our common stock on the date of grant.

Ø **Forfeiture and Clawbacks.** Our Incentive Plan provides that awards will be forfeited and gains may have to be repaid to us by a recipient if any of the following occur during the recipient's employment by us or within one year after termination: (i) the recipient competes with us, induces a customer, supplier, licensee or licensor to curtail business with us or solicits any employee or service provider to terminate employment with or service to us; (ii) the recipient misuses our confidential information; or (iii) the recipient fails to reasonably assist us in a legal proceeding.

Ø **No Above Market Returns.** We do not offer preferential or above market returns on compensation deferred by our executive officers.

Ø **No Loans to our Executive Officers.** We do not give personal loans to our executive officers.

Ø **Limited Tax Gross Up and Single Trigger Change-in-Control Payments.** Since July 2008, we have not entered into an employment agreement or material amendment to an employment agreement with an executive officer that provided for:

Gross ups for taxes; or

Single trigger or modified single trigger change-in-control payments.



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Prior to this time period, these arrangements were commonplace for executive officers of publicly traded companies. Our agreements with our named executive officers that predate July 2008 reflect the accepted practice at the time of negotiation. At this time, we do not believe it is appropriate to renegotiate the agreements that were previously entered into with our named executive officers, but we will continue to monitor these arrangements.

**Fiscal Year 2012 Pay Practice Developments.** The following changes to our pay practices were instituted in fiscal year 2012:

- Ø In June 2012, we revised our stock ownership guidelines to add a holding requirement for our executive officers. Our executive officers are now not permitted to sell our stock and are required to hold the net shares of stock that he or she receives or acquires through the vesting of restricted stock, deferred stock units, restricted stock units and performance-based restricted units and stock acquired through the exercise of stock options until he or she has met the applicable minimum ownership requirements in our

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stock ownership guidelines. In addition, once the minimum ownership level has been met, officers may not sell our stock if that sale would cause him or her to fall below the minimum ownership level described in our stock ownership guidelines.

Ø In June 2012, we revised our stock ownership guidelines to require that members of our Board hold shares equal to 500% of their annual cash retainer (\$625,000).

Ø We now have the following stock ownership guidelines for members of our Board and our executive officers:

For our Chief Executive Officer, 500% of base salary;

For our President, Chief Financial Officer, Chief Operating Officer and Chief Innovation Officer, 300% of base salary;

For our other executive officers, 100% of base salary; and

For members of our Board, 500% of their annual cash retainer.

Ø In our proposed 2012 Restated Incentive Plan, we will adopt the following practices:

Each share we subsequently grant as a full value award will reduce the shares available for grant under the 2012 Restated Incentive Plan by 1.8 shares; and

Any awards or benefits received under the 2012 Restated Incentive Plan will be subject to any recoupment or clawback policy that may be adopted by our company.

Ø In our proposed 2012 Restated Incentive Plan, we will continue the following practices adopted under the 2009 restatement of our Incentive Plan:

We prohibit share recycling for stock options;

We prohibit repricing and cash buyouts of stock options without stockholder approval;

We do not have an evergreen provision for equity compensation grants; and

We do not allow for the accelerated vesting of equity without loss of employment.

In making our fiscal year 2012 equity grants, in addition to the stock options we customarily grant in connection with our long-term incentive program, we also granted additional stock options exercisable at \$20.05, the closing price of our common stock on the date of grant, vesting over four years, to selected members of our key management including our named executive officers. Messrs. Gamache, Edidin, Schweinfurth, Pacey and Lochiatio were granted options to acquire 100,000, 50,000, 35,000, 25,000 and 35,000 shares of our common stock, respectively. In recommending the grant of these additional stock options, our Compensation Committee conferred with its compensation consultant, SH&P, and

concluded that the grants were appropriate to incentivize our key management to improve overall company performance and position our company for future growth. We believe this grant will provide a strong link between the executive team and our stockholders through the shared goal of improving our stock price.

## **Our Compensation Philosophy and Objectives**

### *Philosophy*

Our executive compensation philosophy seeks to align executive compensation with the achievement of pre-established Company-wide performance objectives, individual performance objectives and increases in the price of our stock. In considering the elements of the compensation program, the Compensation Committee emphasizes pay for performance on a short-term and long-term basis.

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### **Objectives**

Our compensation program is designed to achieve the following objectives:

- Ø **Pay for Performance.** We use fixed compensation to provide our named executive officers with a competitive base salary, while encouraging peak performance with other compensation that is variable based on company-wide performance and individual performance. Our alignment of pay with performance, coupled with recent challenges in our business and stock price performance, resulted in realized pay values for our named executive officers for fiscal year 2012 ranging between 35% and 45% of the values shown in the Summary Compensation Table. See the section beginning on page 41 of this Proxy Statement for our Realized Pay Table and a more complete description of how performance has impacted realized pay.
- Ø **Attract and Retain Key Talented Executive Officers.** Our executive compensation program is designed to help us attract and retain talented individuals by providing compensation in amounts and structure competitive with compensation paid to individuals in similar positions at comparable businesses with similar performance.
- Ø **Foster Teamwork Amongst our Management Team.** We conduct an internal compensation comparison to ensure compensation levels within our company are fair and reasonable for the roles and responsibilities of our executive team.
- Ø **Align the Interests of our Executive Officers and our Stockholders.** We use long-term incentives such as stock options, restricted stock and equity-based performance units to encourage our executive officers to build long-term value for our stockholders.
- Ø **Create Incentives that Focus Executive Officers on, and Reward Them for, Achievement of Company-wide Performance Goals.** Our compensation packages for our named executive officers are designed to motivate them to devote their full energies to our success by rewarding them primarily for company-wide achievements against pre-determined goals.
- Ø **Create an Ownership Culture which Instills Long-Term Perspective.** Our named executive officers are encouraged to focus on long-term goals by receiving compensation in the form of equity compensation as a long-term incentive.

### **How We Make Compensation Decisions**

#### *The Role of Our Compensation Committee*

The Compensation Committee, consisting solely of independent directors, is charged with developing compensation programs for our executive officers, including our named executive officers. The Compensation Committee is responsible for establishing, implementing and monitoring compliance with our compensation philosophy. The Compensation Committee seeks to ensure that the total compensation paid to our named executive officers is fair, reasonable and competitive. The Compensation Committee presents its recommendations for compensation to be paid to the named executive officers to our Board for approval. Although Mr. Gamache also serves as Chairman of our Board, he abstains from voting on matters that come before our Board when such matters relate to the compensation of non-employee directors or himself.

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As part of the annual compensation approval process, the Compensation Committee considers the advice of management generally, the Chief Executive Officer and the Chief Financial Officer, as well as SH&P, its independent compensation consultant.

### *The Role of Our Management*

The Compensation Committee reviews the performance and compensation of our named executive officers and establishes each of their compensation. Our Chief Executive Officer provides to the Compensation Committee, management's recommendations on the compensation, including annual cash incentive compensation, for named executive officers other than the Chief Executive Officer. Our Chief Executive Officer

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and our Chief Financial Officer assist the Compensation Committee and SH&P in determining our comparator group (as described below). Other members of management provide support to the Compensation Committee as needed. However, the Compensation Committee acts in its sole discretion. Based upon a review of performance and historical compensation, recommendations and information from members of management, and discussions with its compensation consultant, the Compensation Committee determines the compensation for the named executive officers to be recommended for Board approval.

### ***The Role of the Compensation Committee's Independent Compensation Consultant***

When considering significant changes to the compensation program or performing periodic benchmarking analysis, our Compensation Committee has retained SH&P to review our compensation practices and to assist the Compensation Committee in assessing whether our compensation program is meeting its objectives (as described above). SH&P analyzes whether the amounts and structure of our executive officers' compensation were appropriate relative to the amounts and structure of compensation provided by comparable companies and relative to various management positions within our company. SH&P assists with the development and assessment of our comparator group (as further described below).

SH&P provides the Compensation Committee with insight as to compensation programs and incentives used by our peers and other public companies, trends in executive compensation, pending and current legislation and the evolving policies and procedures adopted by proxy advisory services firms. The Compensation Committee again retained SH&P to assist in designing and establishing our executive compensation programs for fiscal year 2013.

### ***Non-Binding Advisory Say-on-Pay Proposal***

At our 2011 annual meeting of stockholders, 96.7% of the non-binding advisory votes cast by our stockholders were in favor of approval of the compensation of our named executive officers for fiscal year 2011 as disclosed in our Proxy Statement. Under applicable Securities and Exchange Commission rules, we are required to advise our stockholders whether we considered that vote and if so, how it affected our compensation policies. Since our fiscal year begins in July, we generally adopt our compensation program in September. Therefore, in September 2011, before we received the favorable vote of our stockholders, we adopted our fiscal year 2012 compensation program which was substantially similar to our fiscal year 2011 compensation program. In connection with our fiscal year 2012 compensation program, we have considered the overwhelmingly favorable vote from December 2012 and recently sought input from holders of more than 40% of our outstanding common stock with regard to our executive compensation practices. Based on this feedback, we have no plans to make changes to our compensation program which will remain consistent with past practices, except for salary increases and grants of equity compensation for Messrs. Edidin and Lochiatto in connection with being named President and CEO of Williams Interactive, LLC and President of WMS Gaming Inc., respectively. In addition, while we generally make awards under our long-term incentive program in September, given the limited number of shares remaining available under our Incentive Plan, we granted only the equity-based performance units in September 2012 and intend to award the stock options and restricted stock units in December 2012 if our 2012 Restated Incentive Plan is approved by our stockholders.

### ***Risk Considerations***

The Compensation Committee has reviewed our company's compensation policies and practices and analyzed the potential business risks inherent in such policies and practices. The Compensation Committee believes that our executive compensation policies and practices do not encourage our management, including our named executive officers, to take unnecessary business risks that are reasonably likely to have a material adverse effect on our company.

*Competitive Marketplace Assessment; Comparator Group*

As part of our review of our executive compensation program, we periodically review executive compensation data from similar companies in order to ensure that our practices are fair and reasonable.

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In our 2011 Proxy Statement, we identified a comparator group consisting of five gaming machine manufacturing and casino supply companies (Aristocrat Leisure Limited, Bally Technologies Inc., Global Cash Access Holdings, Inc., International Game Technology and Scientific Games Corporation), three software/video game companies (Red Hat, Inc., Take-Two Interactive Software, Inc. and THQ, Inc.) and five casino companies (Ameristar Casinos Inc., Boyd Gaming Corp., Isle of Capri Casinos, Inc., Las Vegas Sands Corp. and Pinnacle Entertainment, Inc.).

When considering changes to compensation for fiscal year 2013 for Messrs. Orrin Edidin and Kenneth Lochiatto due to their promotions, at the request of the Compensation Committee, SH&P reviewed last year's comparator group and suggested several changes, which were adopted by our Compensation Committee. Specifically, we have excluded Boyd Gaming Corp. and Las Vegas Sands Corp. due to their larger revenue size and have added MTR Gaming Group, Inc. and Tropicana Entertainment, which have more comparable revenues, as well as a newly public social gaming company, Zynga, Inc. The current comparator group was selected based on industry focus and includes companies with which we compete for talent. We believe the addition of Zynga, Inc. is appropriate given our entry into social, casual and mobile gaming through the release of two social casinos being distributed on Facebook. In addition, to ensure the size appropriateness of the companies, we considered an analysis of market capitalization, revenue and similarity of broad-based product and service offerings. Our comparator group now consists of:

Ø Five gaming machine manufacturing and casino supply companies:

Aristocrat Leisure Limited

Bally Technologies Inc.

Global Cash Access Holdings, Inc.

International Game Technology

Scientific Games Corporation

Ø Four software/video game companies:

Red Hat, Inc.

Take-Two Interactive Software, Inc.

THQ, Inc.

Zynga, Inc.

Ø Five casino companies:



Ameristar Casinos Inc.

Isle of Capri Casinos, Inc.

MTR Gaming Group, Inc.

Pinnacle Entertainment, Inc.

Tropicana Entertainment, Inc.

We believe gaming machine manufacturer and supply companies and casinos are appropriate comparators because in addition to other common factors, their officers are subject to the unique and rigorous requirements for licensure by gaming regulators that also apply to our officers. Such requirements include extensive background investigations and disclosure of financial and other personal information by our officers and their immediate families. We also believe the companies selected for our comparator group are an appropriate size since they have revenues ranging from 62% to 284% of our revenues. If International Game Technology is excluded, the range of revenues in the comparator group is 62% to 176% of our revenues. However, we believe it

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is appropriate to include International Game Technology as a comparator since it is a direct competitor with our business. Of these companies, we routinely and most directly compete with the gaming machine manufacture and casino supply companies, including International Game Technology, to attract and retain talent. After analyzing the comparator group data and the report by SH&P, the Compensation Committee concluded that our compensation program for our named executive officers is well balanced and strongly performance oriented.

## **Elements of Executive Compensation**

### ***General***

Our Compensation Committee, with SH&P's assistance, has recommended, and our Board has approved the forms of compensation for our named executive officers and the amounts allocated to each form. The forms of compensation were chosen from among those generally used by other public companies that also fit, in the views of our Compensation Committee and our Board, the needs of our company. The amounts that could be earned in total and as allocated among the forms of compensation were considered by our Compensation Committee and our Board to be appropriate to motivate our named executive officers to perform at a high level and to align their interests with the interests of our stockholders.

### ***Four Forms of Compensation***

The compensation packages for our named executive officers primarily consist of the following four forms of compensation:

- Ø **Base Salary.** We pay a base salary to provide our named executive officers, like our other employees, with financial stability, and the base salary acts as a base upon which performance-based compensation may be calculated;
- Ø **Annual Incentive Awards.** We provide an opportunity to earn an annual cash bonus incentive award in order to provide our named executive officers, like our other employees, with short-term performance incentives;
- Ø **Long-Term Incentive Awards.** We use long-term equity awards to provide our named executive officers, along with a selection of our key employees, with long-term performance and retention incentives; and
- Ø **Other Benefits.** We provide our named executive officers with other benefits that we believe are appropriate, including deferred compensation plans, change-in-control and severance benefits, retirement savings plans and perquisites and other personal benefits, which are available to a selection of our other employees.

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The chart below reflects the allocation of target compensation for fiscal year 2012 between salary, annual cash incentive awards (target bonus), annual long-term incentive awards (long-term equity) at grant date value and additional long-term incentive awards granted in September 2011 (additional options) at grant date value.

***Focus on Pay for Performance***

Each of our named executive officers has a high degree of influence on our performance and therefore, in comparison to other employees, has a lower percentage of compensation that is fixed and a greater percentage that is variable in amount and at risk based on the price of our stock and/or dependent on our financial performance or his individual performance.

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### ***Fixed Compensation***

#### ***Base Salary***

Our Compensation Committee assesses base salary increases from year-to-year on a discretionary basis with a view toward rewarding individual performance and making adjustments for marketplace conditions.

Generally, salary increases for all employees, including the named executive officers, are tied to the annual performance review cycle which we undertake each year at the end of our fiscal year. Individual performance is evaluated in a review process which compares individual performance against our core values, leadership criteria and unique, pre-approved fiscal year goals for each named executive officer. Based on each individual's performance rating in the prior fiscal year, he or she is given a salary increase reflecting his or her individual contributions. Mr. Gamache's performance is reviewed by the Compensation Committee and the Board.

Mr. Gamache provided the Compensation Committee with a subjective numerical rating reflecting each named executive officer's overall success in meeting his core value, leadership and personal goals during fiscal year 2011. The numerical rating was intended to inform our Compensation Committee of the relative success of each named executive officer compared to each other named executive officer in meeting his personal goals. Additionally, Mr. Gamache provided the Compensation Committee with a specific recommendation for base salary increases for Messrs. Edidin, Schweinfurth, Pacey and Lochiatto taking into account such performance ratings and factoring in market adjustments based on the comparative salary information provided by SH&P. For fiscal year 2012 salary increases, as part of this performance review process, the Compensation Committee accepted the base salary increase recommendations of Mr. Gamache. At the same time, the Committee determined the amount of the base salary increase in fiscal year 2012 for Mr. Gamache based upon its subjective judgment as to the success of Mr. Gamache in meeting or exceeding expectations for his personal goals. Due to the weaker company performance in fiscal year 2011, the salary increases which were effective in January 2012 for all named executive officers were limited to 2%. All determinations of the Compensation Committee were submitted to and approved by our Board.

### ***Variable Compensation***

#### ***Annual Cash Bonus***

#### ***General***

Annual cash bonuses are intended to provide short-term incentives to our named executive officers to attain and potentially exceed certain pre-established performance goals. Our Compensation Committee considers recommendations from SH&P, our Chief Executive Officer and Chief Financial Officer, regarding the structure and amounts of the corporate performance-based components of the variable portion of our named executive officers compensation program, including the creation of numeric tables to be used for determining the portion of the annual cash bonus based on corporate performance that would be earned by our named executive officers for each level of performance at and above the minimum threshold goals through the maximum goals. Based upon that input and our business plans for the applicable fiscal years, which were prepared by our management in the ordinary course and approved by our Board, the Compensation Committee recommends, and the Board reviews and approves our fiscal year cash bonus tables. New performance tables for our named executive officers' bonus program are established by the Compensation Committee and approved by our Board for each fiscal year. As our financial performance did not meet both of the

minimum threshold goals for fiscal 2012, none of our named executive officers received a cash bonus.

*Fiscal Year 2012 Formulas for Calculating Annual Cash Bonuses*

In establishing the annual cash bonus incentive plan for fiscal year 2012 for our Chief Executive Officer, 100% of his annual bonus calculation was to be based on Board-approved corporate performance goals. For our other named executive officers, the annual cash bonus calculations were divided into two components (i) a portion to be based upon Board-approved corporate performance goals (the corporate component ) and (ii) a portion to be based upon their performance against pre-established, individual goals (the individual component ). When calculating such cash bonuses, if corporate performance and individual performance were both at the same level (whether threshold, target or maximum, or somewhere in between these amounts), the

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corporate component would be 75% of the total cash bonus awarded and the individual component would be 25%. The annual cash bonuses are paid from a bonus pool established for distribution to all employees, including our named executive officers. The bonus pool accrues over the fiscal year. After the close of the fiscal year, the accrued bonus pool is allocated first to pay contractual, guaranteed-by-law and non-discretionary bonuses. The balance is then allocated first to the members of our executive committee, with the remainder allocated to the rest of our employees at the discretion of our Chief Executive Officer, with the approval of our Compensation Committee, provided that payments to our named executive officers are determined by our Board, upon recommendations of our Compensation Committee, and our named executive officers and other members of our senior management may not be paid the corporate component of their bonuses in an amount that exceeds the amount determined in accordance with the applicable Board-approved corporate performance tables. In order for our named executive officers to achieve their maximum bonus potential, the named executive officers eligible to receive a portion of their bonus based on individual performance would have to perform in an outstanding manner as to each of their individual performance objectives and our company would have to significantly exceed its financial performance goals. In order for our Chief Executive Officer to achieve his maximum bonus potential, our company would have to significantly exceed its financial performance goals.

*Fiscal Year 2012 Corporate Performance Metrics*

For fiscal year 2012, we developed numeric bonus tables from which to determine the amount of the portion of the annual bonuses that is based on corporate performance payable to our named executive officers: one table applicable to our Chief Executive Officer, one table applicable to our President, and the third table applicable to our other three named executive officers (together, the Performance Tables ). While the revenue and earnings per share (EPS) goals for our named executive officers annual cash bonuses are the same, the tables and therefore the threshold, target and maximum cash bonus as a percentage of salary vary among the named executive officers based on each officers roles and responsibilities.

Each Performance Table has revenue on the horizontal axis beginning with the threshold goal amount and each of the ten succeeding levels based on an increased revenue amount up to the maximum revenue amount. On the vertical axis, each Performance Table has ten levels of EPS beginning with the threshold goal amount and each of the nine succeeding levels based on an increased amount of EPS up to the maximum amount. The payout percentage amounts included in the Performance Tables were subjectively determined by our Compensation Committee, after consultation with SH&P and our management.

We have constructed the cash bonus performance tables to provide higher rewards for exceeding targeted goals as this best aligns our named executive officers interests with the interests of our stockholders. For example, the Performance Table applicable to our Chief Executive Officer s cash bonus for fiscal year 2012 provided that achieving but not exceeding the threshold revenue and earnings per share goals would have resulted in our Chief Executive Officer receiving a bonus of 73% of his base salary; achieving the target revenue and earnings per share goals would have resulted in our Chief Executive Officer receiving a cash bonus of 100% of salary; while achieving the maximum goals would have resulted in a cash bonus of 280% of his salary thereby better rewarding performance for achievement over target goals. Having the percentage of salary paid as a cash bonus increasing only 27% for performance at the target goals compared to the threshold goals, but then having the percentage of salary paid as a cash bonus increasing by 180% for achieving a comparable dollar increase in financial performance compared to the target goals, demonstrates our philosophy of rewarding our named executive officers with a higher level cash bonus for superior financial performance, as further illustrated in the following chart:

	Fiscal Year 2012 Revenue Goal		Fiscal Year 2012 Earnings Per Share Goal		Fiscal Year 2012 Potential Payout to CEO (% of base salary)	
<b>Threshold</b>	\$ 657 million		\$ 1.33		73%	
<b>Target</b>	\$ 773 million		\$ 1.66		100%	
<b>Maximum</b>	\$ 912 million	} 18% increase	\$ 1.96	} 25% increase	280%	} 27 basis point increase

} 18% increase } 18% increase } 180 basis point increase

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At the conclusion of our fiscal year, the amount of the corporate performance component of the cash bonus amount payable based on the financial performance tables is calculated, and our Compensation Committee has the discretion to decrease, but not increase, the amount of such corporate performance component actually paid. Our financial results as reported in our audited Consolidated Financial Statements included in our Annual Report on Form 10-K are used to determine the applicable percentage payout in accordance with the previously approved performance tables.

The revenue and earnings per share goals for fiscal year 2012 reflected in our named executive officers' performance bonus tables were established based on our fiscal year 2012 business plan prepared by our management in the ordinary course and reviewed and approved by our Board in September 2011. The bonus tables had a minimum performance threshold of 85% of our budgeted (target) revenues and 80% of our budgeted (target) earnings per share, which if either minimum threshold goal was not achieved would result in no bonus payment. For fiscal year 2012, we achieved less than the threshold earnings per share goal and therefore, we did not pay out any corporate component bonus. In addition, our Chief Executive Officer recommended to our Compensation Committee, which accepted the recommendation, that no cash bonus related to achievement of individual performance goals be paid to any of our named executive officers or executive committee members, in order to allow 100% of the bonus pool to be allocated to recognize the contributions of our employees below the executive level. The fiscal year 2012 corporate performance goals and potential bonus payouts provided for in our bonus tables for our named executive officers (NEOs) and actual corporate performance and bonus payouts are set forth in the following chart:

<b>Potential</b>					
	<b>Revenue Goal</b>	<b>Earnings Per Share Goal</b>	<b>Payout to CEO (% salary)</b>	<b>Payout To President (% of 75% of salary)</b>	<b>Payout to Other NEOs (% of 75% salary)</b>
<b>Threshold</b>	\$ 657 million	\$ 1.33	73%	62%	55%
<b>Target</b>	\$ 773 million	\$ 1.66	100%	85%	75%
<b>Maximum</b>	\$ 912 million	\$ 1.96	280%	225%	225%
<b>Actual</b>					
	<b>Revenue</b>	<b>Earnings Per Share</b>	<b>Payout to CEO (% salary)</b>	<b>Payout To President (% of 75% of salary)</b>	<b>Payout to Other NEOs (% of 75% salary)</b>
	\$ 690 million	\$ 1.15	0%	0%	0%

*Fiscal Year 2012 Individual Performance Metrics*

With the exception of our Chief Executive Officer, our named executive officers set individual performance goals with their manager at the beginning of each fiscal year. Individual performance is then evaluated against such goals following the end of our fiscal year in connection with awarding any discretionary cash bonus and salary increases. While our named executive officers' performance was evaluated in terms of core competencies, leadership and the following individual goals for fiscal year 2012, the decision to not pay a discretionary cash bonus in August 2012 was based on company performance more than individual performance:

**Mr. Edidin:** successfully launch new products; successfully implement organizational changes; improve ratibility in shipping; achieve budgeted performance metrics; expand channels of distribution; execute on social gaming initiatives; and continue relationship enhancement initiatives with customers.



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Mr. Schweinfurth: achievement of fiscal year 2012 budget; execute on business process transformation project (software upgrade); successfully implement organizational changes; achieve margin targets for the fiscal year; successfully complete construction projects on time; replace expiring credit facility; and develop plan to grow operating margins and improve return on invested capital.

Mr. Pacey: continue to develop innovative content and create product plan over multiple years; achieve budgeted performance metrics; support continuing relationship enhancement initiatives with customers; support new market and business initiatives including social gaming; and develop an innovation strategy to position our company for future growth.

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Mr. Lochiatto: achieve revenue, margin and working capital goals; achieve ratatability in shipping goals; execute on business process transformation project (software upgrade); continue to drive product quality improvements; and continue to evolve supply chain strategy including global sourcing initiatives.

No discretionary cash bonuses were awarded to our named executive officers for fiscal 2012 in spite of their individual performance due to the recommendation of our Chief Executive Officer that 100% of the bonus pool be allocated to recognize the contributions of our employees below the executive level. Individual performance against these goals will be considered in connection with salary increases in January 2013.

### *Long-Term Incentive Compensation*

We have implemented a long-term incentive program consisting of equity compensation covering rolling three-year periods to coincide with our three-year business plans. Long-term incentives for our named executive officers are granted under our Incentive Plan. We use various types of long-term incentives to align the interests of our executive officers with our stockholders' interests, reward future performance and encourage retention. We have granted the following types of awards as long-term incentives:

- Ø *Stock options*, which typically vest over three or four years, increase in value only if the market price of our common stock increases in value after the grant date and may terminate within 90 days if the employee leaves our employ.
- Ø *Restricted stock and restricted stock unit grants*, which typically vest over three or four years, provide greater value if the market price of our common stock increases in value and may be forfeited if the employee leaves our employ before vesting.
- Ø *Equity-based performance units*, which are only payable following the performance measurement date set at the time of grant to be typically three years in the future, provide a payout which varies based on our actual financial performance against certain pre-established financial goals, increase in value as the market price of our stock increases in value and may be forfeited if the employee leaves our employ before the performance measurement date. Equity-based performance units are payable in stock in an amount equal to a percentage of the number of units granted. Our Compensation Committee receives recommendations from SH&P, our Chief Executive Officer and our Chief Financial Officer, to establish the financial goals and related payout percentages. Based upon that input and our business plans for the applicable fiscal years, which are prepared by our management in the ordinary course and approved by our Board, the Compensation Committee recommends, and the Board reviews and approves a unique equity-based performance unit table for grants made each fiscal year. For fiscal years 2010, 2011 and 2012, the payout percentages ranged from: (i) nothing to the extent certain minimum threshold goals are not met, (ii) a percentage from 60% to 99% for the achievement and surpassing of the threshold goals up to but not including achievement of the target goals, (iii) 100% of the granted amount if the target goals are met, to (iv) a percentage more than 100% and up to 200% of the granted amount to the extent the target goals are exceeded.

The value granted to each of our named executive officers was equal to a percentage of his salary, which percentage was dependent on the individual's position and level of responsibility and such value was divided equally between each of the three equity components. The amounts of compensation provided under our long-term incentive program are determined by our Board, pursuant to recommendations of our Compensation Committee and SH&P.

### *Fiscal Year 2012 Long-Term Incentive Grants*

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For fiscal year 2012, our Board acting upon the recommendation of the Compensation Committee, divided the value of the equity compensation being awarded equally among three forms:

- Ø *Stock options:* Fiscal year 2012 stock options ( 2012 Options ) were awarded to all named executive officers with a vesting period of three years;

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- Ø *Equity-based performance units:* Fiscal year 2012 performance stock units ( 2012 PSUs ) were awarded to all named executive officers with a performance measurement date of June 30, 2014 and performance goals based on earnings per share and revenues for the aggregate of the three years ended June 30, 2014; and
- Ø *Restricted stock units:* Fiscal year 2012 restricted stock units ( 2012 RSUs ) were awarded to all named executive officers with a vesting period of four years.

The below table indicates the quantity of 2012 Options, 2012 PSUs and 2012 RSUs awarded to each named executive officer under our long-term incentive program:

Executive	2012 Options Granted	2012 PSUs Granted	2012 RSUs Granted
Brian R. Gamache	77,500	31,696	31,696
Orrin J. Edidin	45,723	18,700	18,700
Scott D. Schweinfurth	33,255	13,601	13,601
Larry J. Pacey	32,183	13,162	13,162
Kenneth Lochiatto	25,935	10,607	10,607

For additional details on these long-term incentive grants and other grants made in fiscal year 2012, please see the Outstanding Equity Awards at Fiscal Year-End table beginning on page 51 of this Proxy Statement.

**Alignment of Pay and Performance**

As described above, our compensation program is designed to align the interests of our named executive officers with our stockholders and to reward achievements against pre-determined goals. Other than base salary, which in fiscal year 2012 constituted approximately 24% (20% for our CEO and 26% for our other named executive officers) of the target compensation for our named executive officers, the actual realization of target compensation by our named executive officers is largely dependent upon achievement of target revenue and earnings per share and improvements in the price of our stock.

In both fiscal year 2011 and fiscal year 2012, our financial results fell significantly below our internal targets. As a result, and as our compensation program was designed to do, the compensation actually realized or realizable by our named executive officers for those years was substantially less than their target compensation, and as an example, none of the named executive officers received an annual cash bonus for either fiscal year 2011 or fiscal year 2012.

For fiscal years 2011 and 2012, the aggregate total cash compensation (consisting of base salary and cash bonus) actually paid to our chief executive officer was 50% less than the target cash compensation for such compensation components for both years and 44% less for our other named executive officers.

We also did not meet the minimum threshold performance goals for the equity-based performance units for the three year period ended June 30, 2012 (for which performance goals were set in September 2009) and as a result no shares were issued. Moreover, based on our current estimates of the probable outcome of the performance conditions, we believe that we will not meet the minimum threshold performance goals for the

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equity-based performance units for the three year periods ending June 30, 2013 (for which performance goals were set in September 2010) and June 30, 2014 (for which performance goals were set in September 2011) and as a result no shares are expected to be issued.

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As a result of not achieving these performance goals and our declining stock price, at June 30, 2012, the value of the equity compensation awarded to our named executive officers in fiscal years 2011 and 2012 was less than the date of grant value determined in the manner set forth in the Summary Compensation Table. The chart below shows the alignment of our compensation program with our performance for fiscal year 2011 and fiscal year 2012, reflecting the decline in value of the equity compensation granted to our named executive officers in September of 2010 and 2011 from the date of grant to June 30, 2012, consisting of:

- Ø *Restricted stock units* valued using the closing price of our stock on the date of grant compared to the closing price of our stock on June 30, 2012 (without deducting any stock that may have been withheld to cover taxes);
  
- Ø *Equity-based performance stock units* valued using the closing price of our stock on the date of grant assuming a targeted payout of 100% compared with no value on June 30, 2012 based on current estimates that no payout will be made due to expectation that the threshold performance goals will not be met; and
  
- Ø *Stock options* valued using the Black-Scholes stock option valuation method as of the date of grant compared to no value as of June 30, 2012 as the closing price of our common stock on June 30, 2012 was below the stock option exercise prices of these grants.

This reduction in expected value is consistent with our financial performance being less than expected.

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The following chart also illustrates the alignment of our named executive officers' pay with our financial performance. This chart shows (1) the percentage by which the value of our named executive officers' compensation (calculated by combining base salary paid, cash bonus paid and the June 30, 2012 value of the equity compensation granted for both fiscal year 2011 and 2012 calculated as described above) fell from the target compensation consisting of base salary, target cash bonus and grant date value of the equity compensation for such fiscal years, compared to the decline from fiscal year 2010 to fiscal year 2012 in (2) revenues and (3) earnings per share and (4) the decline in stock price from June 30, 2010 to June 30, 2012.

Additionally, our ownership guidelines align the interests of our named executive officers with our stockholders and insure that our named executive officers have and remain invested in our stock. The impact of a decrease in our stock price to our named executive officers can be great in the case of stock options, which can become valueless even though our stock retains value. Furthermore, our named executive officers can experience a loss of value of equity-based performance stock as a result of our financial performance, which can become valueless if certain minimum financial performance thresholds are not met.

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From June 30, 2010 to June 30, 2012, the aggregate value of equity, including unvested restricted stock units and vested, in-the-money stock options, held by our named executive officers on June 30, 2010 declined by 76%, or an aggregate decrease in value of over \$19.4 million when calculated as described above on June 30, 2012. The following chart illustrates the decline in equity value experienced by each of our named executive officers from June 30, 2010 to June 30, 2012:

## **Fiscal Year 2013 Pay Practice Developments**

In connection with consolidating all of our online, social, casual and mobile gaming initiatives under a unified management team in July 2012, the roles of Messrs. Edidin and Lochiatto changed. Mr. Edidin was named President and Chief Executive Officer of the newly formed Williams Interactive LLC, which is expected to further focus and leverage our resources to actively participate in the significant growth potential from the convergence of land-based casino gaming with interactive gaming. Mr. Edidin's annual salary was increased to \$780,590 in connection with his new role. Already serving as Chief Operating Officer of WMS Gaming Inc., Mr. Lochiatto was named President and Chief Operating Officer of that subsidiary. Mr. Lochiatto's annual salary was increased to \$525,000 to reflect his expanded responsibilities. Additionally, Messrs. Edidin and Lochiatto's potential bonus structure was changed with Mr. Edidin's maximum potential cash bonus being increased from 225% to 280% of his salary. Both salary and bonus potential increases were recommended by our Compensation Committee and approved by our Board. In September 2012, Messrs. Edidin and Lochiatto were also each awarded \$250,000 in equity-based performance units and \$250,000 in restricted stock units in connection with their promotions.

## **Realized Pay Table: How Demonstrated Performance Impacts Realized Pay**

Because our compensation program is designed to align pay and performance, the amounts actually realized by our named executive officers:

- Ø Vary based on operational, stock price and personal performance, and
- Ø Are different from the grant date values of these awards shown on the Summary Compensation Table.



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Realized pay for salary, bonus and stock awards for fiscal year 2012 was equal to 35% of the values shown in the Summary Compensation Table for our CEO and between 41 to 45% for our other named executive officers.

The table below shows compensation realized by each named executive officer in fiscal year 2012, based on performance or vesting periods ending in this year. For purposes of this presentation, realized pay includes, in addition to salary, which is a fixed component of each named executive officer's total compensation, the following incentive pay elements that were earned or vested in fiscal year 2012:

- Ø *Bonus.* Based on fiscal year 2012 performance more completely described in the section entitled "Annual Cash Bonus" beginning on page 34 of this Proxy Statement, we did not pay any cash bonuses to our named executive officers for performance in fiscal year 2012.
- Ø *Stock options (Options).* Stock options increase in value only if the market price of our common stock increases in value after the date of grant. In fiscal year 2012, the final tranche of the September 2008 award, the second tranche of the September 2009 award, and first tranche of the September 2010 award all vested. On the date of vest, each of these awards was significantly out-of-the-money, meaning that the exercise price was well below the stock price on the date of grant and would result in no value if exercised on the vesting date.
- Ø *Equity-based performance stock units (PSUs).* Although equity-based performance stock units granted in September 2009 vested on June 30, 2012, because the minimum threshold performance goals were not met, no shares were earned or issued.
- Ø *Restricted stock units (RSUs).* Restricted stock units provide greater market value if the market value of our common stock increases in value. In fiscal year 2012, the final tranche of the September 2007 award, the third tranche of the September 2008 award, the second tranche of the September 2009 award, and the first tranche of the September 2010 award all vested. Due to a decline in stock price, as of the vesting dates the values of these shares are less than their values on the date of grant.

**Realized Pay in Fiscal 2012**

	<b>Salary</b>	<b>Bonus (a)</b>	<b>Options (b)</b>	<b>PSUs (b)</b>	<b>RSUs (b)</b>	<b>Total</b>	<b>% of Reported (c)</b>
Brian R. Gamache	\$ 962,797	\$ 0	\$ 0	\$ 0	\$ 334,314	\$ 1,297,111	35%
Orrin J. Edidin	\$ 649,163	\$ 0	\$ 0	\$ 0	\$ 259,752	\$ 908,915	41%
Scott D. Schweinfurth	\$ 569,842	\$ 0	\$ 0	\$ 0	\$ 141,948	\$ 711,790	42%
Larry J. Pacey	\$ 551,460	\$ 0	\$ 0	\$ 0	\$ 151,193	\$ 702,653	45%
Kenneth Lochiatto	\$ 444,400	\$ 0	\$ 0	\$ 0	\$ 132,685	\$ 577,085	42%

- (a) Reflects amounts earned based on fiscal 2012 performance.
- (b) Amounts shown represent the aggregate value of all stock options and stock awards that vested during the fiscal year. The value of vested stock options is calculated by multiplying the number of shares vested by the difference between the exercise price and the closing price of our common stock on the vesting date without regard to actual option exercise activity. The value of vested stock awards is calculated by multiplying the number of shares vested by the closing price of our common stock on the vesting date.
- (c) Reflecting the percentage of the total compensation reported in the Summary Compensation Table excluding Change in Pension Value and All Other Compensation.

**Additional Compensation Elements****Change-in-Control, Termination, Retirement or Other Post-Employment Benefits**

We offer our named executive officers post-employment benefits in order to provide these individuals with security and reasonable compensation upon a termination of employment, and to ensure the continued commitment of employees in the event of a potential or actual change-in-control.

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We have entered into the following types of post-termination arrangements with our named executive officers:

### *Deferred Compensation Plans*

As part of our compensation package, we allow our named executive officers to participate in a qualified 401(k) deferred compensation plan that is available to all of our employees generally and a supplemental non-qualified deferred compensation plan that is available to our highly compensated employees, both of which may provide for post-employment benefits. See [All Other Compensation](#) under [Executive Compensation](#) below.

Prior to Mr. Pacey's promotion in July 2008, upon the recommendation of the Compensation Committee, our Board approved a special compensation arrangement designed to retain Mr. Pacey as an employee for at least ten years. Mr. Pacey and our company have entered into a ten-year Deferred Compensation Agreement, dated January 27, 2007, which is subject to the terms of our Non-Qualified Deferred Compensation Plan. Under this Agreement, we make additional employer contributions for the benefit of Mr. Pacey, in the amount of \$100,000 per year, which contributions are deposited into a separate employer contribution account. Mr. Pacey will not vest in these contributions unless he remains continuously in our employ until at least February 1, 2017; provided however, if Mr. Pacey's employment is terminated prior to the vesting date as a result of death, disability or termination by our company, other than for cause, he will become 100% vested in the amounts then in the separate employer contribution account and our obligation to make contributions shall cease on the date of any such termination. See [Non-Qualified Deferred Compensation Table](#) under [Executive Compensation](#) below.

### *Potential Payments Upon Termination of our Named Executive Officers*

Mr. Gamache's employment agreement provides for termination benefits payable to Mr. Gamache upon termination of his employment under certain circumstances. See [Employment Agreements](#) and [Pension Benefits](#) below.

Under our employment agreements with Messrs. Gamache, Edidin, Schweinfurth, Pacey and Lochiatto under certain circumstances such as disability, death, termination without cause and/or termination with good reason, we also provide separation payments and accelerated vesting of equity compensation awards. In exchange, such executive officers have agreed not to compete with us for defined periods of time. See [Employment Agreements](#) below.

### *Potential Change-in-Control Payments*

Additionally, our Board, upon the recommendation of our Compensation Committee, has approved employment agreements which provide that a change-in-control may trigger certain benefits to certain of our named executive officers. It is our belief that providing benefits to our named executive officers in the face of a change-in-control will help us retain these executive officers and ensure their objectivity in connection with any potential transaction. Certain of our equity compensation plans and related grant agreements provide for accelerated vesting of equity compensation awards in the event of a change-in-control. Furthermore, pursuant to our employment agreements with Messrs. Gamache, Edidin, Schweinfurth, Pacey and Lochiatto, we may accelerate their equity compensation awards and make certain payments to them as a result of a change-in-control. Additionally, for Messrs. Gamache, Edidin and Schweinfurth, we may make certain income tax gross up payments as a result of a change-in-control and termination of their employment, which were common compensation practices at the time we entered into these agreements, and we have not modified such agreements since fiscal year 2008. These payments and benefits are described in more detail under

Potential Payments Upon Termination or Change-in-Control beginning on page 55 of this Proxy Statement.

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### **Additional Information**

#### *Stock Ownership Guidelines*

In order to keep our executive officers' interests aligned with our stockholders, our Board adopted and last updated in June 2012, stock ownership guidelines for our executive officers and senior management of our company. These guidelines provide:

- Ø Our Chairman and Chief Executive Officer is expected to own stock equal in value to five times his base annual salary;
- Ø Our President and each of our Executive Vice Presidents are each expected to own stock equal in value to three times his respective base salary;
- Ø Each other executive officer is expected to own shares of or common stock equal in value to his or her respective base salary; and
- Ø Such officers are expected to refrain from selling any shares of our common stock if he is she is, or the sale would cause him or her to fall, below the minimum ownership level described above.

Under the guidelines, deferred stock units, restricted stock, restricted stock units and performance-based restricted stock units count toward meeting the requirements, but unexercised stock options and equity-based performance units do not.

#### *Tax and Accounting Considerations*

When determining the types and amount of compensation awarded to our named executive officers, our Compensation Committee and our Board consider not only the needs of the employees and our goals, but also the accounting and tax ramifications of such compensation on our company.

#### *Accounting Ramifications*

The impact of accounting for equity-based compensation is considered by the Compensation Committee when evaluating our compensation plans. Beginning on July 1, 2005, we began accounting for equity-based payments, including awards granted under our Incentive Plan, in accordance with FASB ASC Topic 718 *Share Based Compensation*.

#### *Tax Ramifications*

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Section 162(m) of the Internal Revenue Code generally provides that publicly-held corporations will only be able to deduct, for income tax purposes, compensation paid to the Chief Executive Officer or other named executive officers (excluding our Chief Financial Officer) in excess of \$1,000,000 per year if it is paid under qualifying performance-based compensation plans approved by stockholders. Compensation as defined by Section 162(m) includes, among other things, base salary, incentive compensation not provided under our Incentive Plan, time-vested restricted stock or restricted stock units and gains on stock option transactions when the exercise price on the grant date is below the fair market value of the underlying stock on that date. To the extent that compensation of any of our named executive officers, such as salary, time-vested restricted stock and individual performance-based bonuses, does not meet the Section 162(m) qualifications for deductibility and exceeds \$1,000,000 in the aggregate in a particular year, we will not be able to deduct such excess for income tax purposes.

Under our Incentive Plan, which has been approved by our stockholders, equity-based performance units and performance-based incentive compensation including cash bonuses based on achievement of corporate performance that have been granted or paid to our named executive officers under the plan should qualify under Section 162(m) and be fully deductible by us. All stock options granted to date have an exercise price at least equal to 100% of the fair market value of the underlying stock on the date of grant, and all equity-based incentive

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awards, except time-vested restricted stock and restricted stock units, have been conditioned on achievement of performance goals intended to qualify as performance-based compensation. We believe the portion of our annual cash bonuses that are payable based on corporate performance for our named executive officers should qualify as performance-based compensation as granted under our Incentive Plan.

The Compensation Committee considers, on a case-by-case basis, how Section 162(m) will affect our compensation plans and contractual and discretionary cash compensation. The Compensation Committee also considers it important to retain flexibility to design compensation programs that recognize a full range of criteria important to our success, even where compensation payable under the programs may not be fully deductible.

***Compensation Committee Report***

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis that appear herein. Based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated into our Annual Report on Form 10-K for fiscal year 2012.

This report is respectfully submitted by the Compensation Committee of the Board:

Patricia M. Nazemetz (Chair)

Robert J. Bahash

Edward W. Rabin, Jr.

**Table of Contents****SUMMARY COMPENSATION TABLE**

The Summary Compensation Table below and accompanying narrative disclosures provide compensation information for our named executive officers for fiscal years 2012, 2011 and 2010 including actual salary, non-equity incentive plan compensation paid and the grant date value of equity compensation awards made. Note as explained on pages 38 thru 40, the actual value realized or realizable related to equity compensation grants for fiscal year 2011 and fiscal year 2012 is expected to be substantially below the grant date values presented below:

Name and Position	Year	Salary (\$)	Bonus (\$ (1))	Stock Awards (\$ (2))	Stock Option Awards (\$ (3))	Non-Equity Incentive Plan Compensation	Change in Pension Value	All Other Compensation	Total (\$)
						Awards (\$ (4))	(\$ (5))	(\$ (6))	
<i>Brian R. Gamache</i> Chairman and Chief Executive Officer	2012	962,797		1,271,010	1,487,306		401,448	72,749	4,195,310
	2011	945,790		1,271,024	635,512		401,448	144,115	3,397,889
	2010	918,139		1,233,464	616,732	1,406,179	401,448	181,368	4,757,330
<i>Orrin J. Edidin</i> President	2012	649,163		749,870	800,846			45,604	2,245,483
	2011	636,883		749,850	374,925			88,650	1,850,308
	2010	615,346	130,743	724,510	362,255	601,500		110,264	2,544,618
<i>Scott D. Schweinfurth</i> Executive Vice President, Chief Financial Officer and Treasurer	2012	569,842		545,400	570,836			47,191	1,733,269
	2011	558,358		545,360	272,680			79,532	1,455,930
	2010	537,489	192,037	524,186	262,093	463,646		92,105	2,071,556
<i>Larry J. Pacey</i> Executive Vice President, Global Products and Chief Innovation Officer	2012	551,460		527,796	476,879			142,733	1,698,868
	2011	539,000		527,806	263,903			168,546	1,499,255
	2010	514,615	114,625	502,666	251,333	444,416		168,377	1,996,032
<i>Kenneth Lochiatto</i> Executive Vice President and Chief Operating Officer	2012	444,400		425,340	510,797			48,856	1,429,393
	2011	429,231		425,366	212,683			84,139	1,151,419
	2010	393,269	75,000	386,388	193,194	341,859		83,442	1,473,152

- Bonus:** For fiscal year 2010, a portion of our named executive officers' cash bonus, other than Mr. Gamache's, was awarded on a discretionary basis based on achievement of individual performance goals. The amount of such discretionary bonus is included in the Summary Compensation Table above under **Bonus** and is not included in the Plan-Based Awards Table. The balance of each named executive officers' cash bonus was awarded under our Incentive Plan and is included above under **Non-Equity Incentive Plan Compensation Awards**. Our named executive officers did not receive any bonus for fiscal years 2012 and 2011.
- Stock Awards:** This column reflects the aggregate grant date fair value of the restricted stock units and equity-based performance units granted under our long-term incentive program in fiscal years 2012, 2011 and 2010, computed in accordance with FASB ASC Topic 718 **Share Based Compensation**, disregarding for this purpose the estimated forfeitures relating to service-based vesting conditions. Values for restricted stock units are computed at the closing trading price of our common stock on the grant date. Although the probable outcome of performance conditions will vary over time, the Securities and Exchange Commission rules require that we report in this column the value based on the probable outcome as of the time of the grant which are the target values which provide for a payout in an amount equal to a 100% of the number of units granted upon achievement of the specified financial goals. The restricted stock and equity-based performance units reflected above for fiscal year 2012 are described in greater detail under **Grants of Plan-Based Awards** below.
- Stock Option Awards:** This column reflects the aggregate grant date fair value of stock option awards granted in fiscal years 2012, 2011 and 2010, calculated using the closing trading price of our common stock on the grant date and the Black-Scholes option pricing method, as further described in Note 2, **Principal Accounting Policies** to our Consolidated Financial Statements in our Annual Report on Form 10-K for fiscal year 2012. These stock option awards for fiscal year 2012 are described in greater detail under **Grants of Plan-Based Awards** below.



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- (4) *Non-Equity Incentive Plan Compensation Awards:* This column reflects cash bonuses awarded under our Incentive Plan to Messrs. Gamache, Edidin, Schweinfurth, Pacey and Lochiatto in accordance with previously approved bonus performance tables and calculated based on our actual financial performance. Our named executive officers did not receive any cash bonuses under our Incentive Plan for fiscal years 2012 and 2011. For fiscal year 2010, for all but Mr. Gamache, each named executive officer also had a portion of his cash bonus determined based on the achievement of individual performance goals. For greater detail for fiscal year 2010 awards see Additional Information Concerning Summary Compensation and Grants of Plan-Based Awards Tables Bonuses below.
- (5) *Change in Pension Value:* This column represents the change from June 30, 2011 to June 30, 2012, June 30, 2010 to June 30, 2011, and June 30, 2009 to June 30, 2010 in the present value of the benefits to which Mr. Gamache will become entitled upon termination of his employment in accordance with his employment agreement. See Pension Benefits below.
- (6) *All Other Compensation:* See Additional Information Concerning Summary Compensation and Grants of Plan-Based Awards Tables All Other Compensation below.

**GRANTS OF PLAN-BASED AWARDS**

The following table sets forth each Grant made to the named executive officers in fiscal year 2012 under our Incentive Plan.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)			All Other Stock Awards: Number of Shares or Units of Stock (#) (3)	All Other Stock Awards: Number of Securities Underlying Options (#) (4)	Exercise Price of Stock Option (\$/Sh) (4)	Grant Date Fair Value of Stock and Stock Option Awards (\$) (5)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
Brian R. Gamache	9/15/2011	695,883	953,265	2,669,142	19,018	31,696	63,392	31,696	177,500	20.05	635,505 635,505 1,487,306
Orrin J. Edidin	9/15/2011	304,849	417,939	1,106,308	11,220	18,700	37,400	18,700	95,723	20.05	374,935 374,935 800,846
Scott D. Schweinfurth	9/15/2011	237,387	323,710	971,129	8,161	13,601	27,202	13,601	68,255	20.05	272,700 272,700 570,836
Larry J. Pacey	9/15/2011	229,730	313,268	939,803	7,897	13,162	26,324	13,162	57,183	20.05	263,898 263,898 476,879
Kenneth Lochiatto	9/15/2011	185,130	252,450	757,350	6,364	10,607	21,214	10,607	60,935	20.05	212,670 212,670 510,797

- (1) Consists solely of the portion of cash bonuses that were established under our Incentive Plan to Messrs. Gamache, Edidin, Schweinfurth, Pacey and Lochiatto the payout of which were dependent on the financial performance for fiscal year 2012 in accordance with bonus tables approved by our Board upon the recommendation of our Compensation Committee. As reflected under Non-Equity Incentive Plan Awards in the Summary Compensation Table above, no payout was made under this award as our financial



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- performance for fiscal year 2012 did not meet the minimum thresholds. For more detail, see Additional Information Concerning Summary Compensation and Grants of Plan-Based Awards Tables Bonuses below.
- (2) Consists of equity-based performance units, which grants are discussed in more detail under Compensation Discussion and Analysis above.
  - (3) Consists of restricted stock units, which grants are discussed in more detail under Compensation Discussion and Analysis above.
  - (4) The exercise price is the closing trading price of our common stock on the date of grant.
  - (5) The grant date fair value for the equity-based performance unit awards and restricted stock unit awards is calculated using the closing trading price of our common stock on the date of the grant and for the equity-based performance units uses the target number of shares issuable. The grant date fair value for the stock option awards is calculated using the closing trading price of our common stock on the grant date and the Black-Scholes option pricing method. See Notes 2 and 3 to the Summary Compensation Table, above.

## **ADDITIONAL INFORMATION CONCERNING**

### **SUMMARY COMPENSATION AND GRANTS OF PLAN-BASED AWARDS TABLES**

*The following additional information concerning our named executive officers' compensation, including plan-based awards, is furnished to supplement the information provided in the Summary Compensation and Grants of Plan-Based Awards Tables.*

#### **Employment Agreements**

We employ Brian R. Gamache under the terms of an agreement dated December 27, 2004, as amended from time to time. The agreement is subject to automatic rolling extensions so that the term of Mr. Gamache's employment will at no time be less than two years. Mr. Gamache's annual base salary has been \$972,330 since the first pay period in January 2012. For fiscal year 2012, Mr. Gamache had the opportunity to earn a cash bonus of up to 280% of his base salary pursuant to an annual financial performance-based program, although no cash bonus was paid as our actual financial performance did not meet the minimum threshold requirements. Mr. Gamache may participate in all benefit plans and perquisites generally available to our executive officers, including our long-term incentive program.

We employ Orrin J. Edidin under the terms of an agreement dated as of February 14, 2005, as amended from time to time. The agreement is subject to automatic rolling extensions so that the term of Mr. Edidin's employment will at no time be less than two years. Mr. Edidin's annual base salary has been \$780,590 since it was increased in conjunction with his promotion beginning with the first pay period in July 2012. For fiscal year 2012, Mr. Edidin had the opportunity to earn a cash bonus of up to 225% of his base salary pursuant to an annual bonus program consisting of a corporate performance component and an individual performance component as described in the Compensation Discussion and Analysis above, although no cash bonus was paid as our actual financial performance did not meet the minimum threshold requirements. Mr. Edidin may participate in all benefit plans and perquisites generally available to our executive officers, including long-term incentive programs, and he will be provided with life insurance coverage in the amount of \$1,400,000 during the term of the agreement. In the event such coverage is not available for an annual premium of no more than \$3,000, we will provide Mr. Edidin with whatever lesser amount of life insurance is available for such annual premium or permit Mr. Edidin to pay the portion of the annual premium in excess of \$3,000.

We employ Scott D. Schweinfurth under the terms of an agreement dated as of February 14, 2005, as amended from time to time. The agreement is subject to automatic rolling extensions so that the term of Mr. Schweinfurth's employment will at no time be less than two years. Mr. Schweinfurth's annual base salary has been \$575,484 since the first pay period in January 2012. For fiscal year 2012, Mr. Schweinfurth had the opportunity to earn a cash bonus of up to 225% of his base salary pursuant to an annual bonus program.



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consisting of a corporate performance component and an individual performance component as described in the Compensation Discussion and Analysis above, although no cash bonus was paid as our actual financial performance did not meet the minimum threshold requirements. Mr. Schweinfurth may participate in all benefit plans and perquisites generally available to our executive officers, including long-term incentive programs, and he will be provided with life insurance coverage in the amount of \$1,400,000 during the term of the agreement. In the event such coverage is not available for an annual premium of no more than \$3,000, we will provide Mr. Schweinfurth with whatever lesser amount of life insurance is available for such annual premium or permit Mr. Schweinfurth to pay the portion of the annual premium in excess of \$3,000.

We employ Larry J. Pacey under the terms of an agreement, dated September 7, 2005, as amended from time to time. The agreement is subject to automatic rolling extensions so that the term of Mr. Pacey's employment will at no time be less than two years. Mr. Pacey's annual base salary has been \$556,920 since the first pay period in January 2012. For fiscal year 2012, Mr. Pacey had the opportunity to earn a cash bonus of up to 225% of his base salary pursuant to an annual bonus program consisting of a corporate performance component and an individual performance component as described in the Compensation Discussion and Analysis above, although no cash bonus was paid as our actual financial performance did not meet the minimum threshold requirements. Under his employment agreement, Mr. Pacey's aggregate annual cash bonus may be no less than 37.5% of his base salary for any fiscal year in which we are profitable however, for fiscal year 2012, Mr. Pacey waived this obligation. Mr. Pacey may participate in all benefit plans and perquisites generally available to our executive officers.

We employ Kenneth Lochiatto under the terms of an agreement, dated March 11, 2010, with an initial term of two years, subject to automatic two year renewals at the end of each two year period. Mr. Lochiatto's annual base salary has been \$525,000 since it was increased in conjunction with his promotion beginning with the first pay period in July 2012. For fiscal year 2012, Mr. Lochiatto had the opportunity to earn a cash bonus of up to 225% of his base salary pursuant to an annual bonus program consisting of a corporate performance component and an individual performance component as described in the Compensation Discussion and Analysis above, although no cash bonus was paid as our actual financial performance did not meet the minimum threshold requirements. Mr. Lochiatto may participate in all benefit plans and perquisites generally available to our executive officers.

## **Bonuses**

Because cash bonuses paid to our Chief Executive Officer and a portion of the cash bonuses paid to our other named executive officers are made pursuant to our Incentive Plan, the rules of the Securities and Exchange Commission require us to report such bonuses under Non-Equity Incentive Plan Compensation Awards. Messrs. Gamache, Edidin, Schweinfurth, Pacey and Lochiatto did not receive the corporate performance component of their cash bonuses for fiscal year 2012 because our actual financial performance did not meet the minimum threshold requirements set forth in the bonus tables approved by our Board upon the recommendation of our Compensation Committee in September 2011, which tables set the respective corporate performance component of the bonus amounts based on achievement of the revenues and earnings per share targets set forth therein. The potential threshold, target and maximum amounts of the cash bonuses are included under Estimated Future Payout Under the Non-Equity Incentive Plan Awards column in the Grants of Plan-Based Awards Table, however, the actual payout was zero. In addition, no discretionary or individual performance-based bonuses were paid to any named executive officer for fiscal year 2012.

## **Change in Pension Value**

The Change in Pension Value column in the Summary Compensation Table discloses the change in present value, between June 30, 2011 and June 30, 2012; June 30, 2010 and June 30, 2011; and June 30, 2009 and June 30, 2010, of the death, disability and termination benefits (retirement benefits) payable to Mr. Gamache under his employment agreement.



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For fiscal years 2010, 2011 and 2012, the present value of these benefits, using a discount rate of 3.8%, is based on an assumed termination of employment date of November 28, 2020, a calculated termination benefit of \$11,880,438 (based on twenty years of service), and a payment period of four years and one month after which Mr. Gamache will receive a lump sum payment determined by discounting each monthly installment that would have been paid to Mr. Gamache had the equal monthly installments continued to be paid for a period of time equal to the period of time after March 21, 2000 that Mr. Gamache was employed full time by us. See Pension Benefits on page 54 of this Proxy Statement.

**All Other Compensation**

The rules of the Securities and Exchange Commission require us to disclose more details about any perquisite included in the All Other Compensation column in the Summary Compensation Table that amounts to more than \$25,000 for an individual. The amounts shown in the All Other Compensation column of the Summary Compensation Table include matching employer contributions to our named executive officers deferred compensation plan accounts. Our named executive officers may participate in two company-sponsored deferred compensation plans. The first plan, the WMS Industries Inc. 401(k) Plan (the 401(k) Plan), is a tax qualified deferred compensation plan available to all employees. Because the amount some of our employees, including our named executive officers, may contribute to the 401(k) may be limited by Section 415 of the Internal Revenue Code, we offer a second plan, the WMS Industries Non-Qualified Deferred Compensation Plan, to provide them with the same benefits offered under the 401(k) Plan to our other employees. Through these two plans, each year, to the extent the named executive officers elect to make contributions, we match 100% of the first three percent of annual compensation contributed by our employees, including our named executive officers, and 50% of the second three percent contributed by our employees, including our named executive officers, to these plans. The company match contributions for fiscal year 2012 for our named executive officers were as follows:

Name	401(k) Plan Company Match	Non-Qualified Deferred Compensation Plan Company Match
Brian R. Gamache	\$ 11,250	\$ 33,501
Orrin J. Edidin	11,250	18,850
Scott D. Schweinfurth	11,250	15,144
Larry J. Pacey	11,250	14,286
Kenneth Lochiatto	10,098	8,775

For Mr. Pacey, the All Other Compensation column also includes a supplemental deferred compensation benefit provided to Mr. Pacey pursuant to a Deferred Compensation Agreement, dated January 27, 2007. Pursuant to this agreement, we make an additional employer contribution of \$100,000 each calendar year for a maximum of ten years to a separate employer contribution account under the WMS Industries Inc. Nonqualified Deferred Compensation Plan. Mr. Pacey will vest in such separate employer contribution account only if he remains continuously employed with us until February 1, 2017. In addition, if Mr. Pacey's employment is terminated prior to the vesting date as a result of death, disability or termination by our company, other than for cause, he will become 100% vested in the separate employer contribution account and our obligation to make future contributions shall cease on the date of any such termination. Mr. Pacey's Deferred Compensation Agreement is subject to the terms and conditions of the WMS Industries Inc. Nonqualified Deferred Compensation Plan. In fiscal year 2012, we contributed approximately \$100,000 to this plan for Mr. Pacey's account.

The All Other Compensation column in the Summary Compensation Table also includes the aggregate incremental costs to our company of personal and spousal travel and entertainment which we consider appropriate business expenses of our named executive officers under our corporate policies, cash payments for vacation days not used in accordance with our corporate policies, health expense reimbursements, life insurance premiums for certain of our named executive officers and other such expenses.

**Table of Contents****OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END**

The following table sets forth all outstanding equity awards held by the named executive officers at June 30, 2012. This table includes unexercised and vested stock option awards, unvested restricted stock units and shares of restricted stock and equity-based performance units with vesting dates after June 30, 2012. Each equity award is shown separately for each named executive officer. The vesting schedule for each outstanding award is shown in the following table, listed by type of award and grant date. For additional information about these awards see the discussion of equity compensation in the Compensation Discussion and Analysis above.

Name	Stock Option Grant Date	Stock Option Awards				Stock Awards			Equity Incentive Plan Awards: Number of Unearned Shares Issuable for Units That Have Not Vested (#) (4)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$ (5)
		Number of Securities Underlying Unexercised Stock Options Exercisable (#)	Number of Securities Underlying Unexercised Stock Options Unexercisable (#) (1)	Stock Option Exercise Price (\$)	Stock Option Expiration Date	Stock Award Grant Date	Number of Shares of Restricted Stock or Units That Have Not Vested (#) (2)	Market Value of Shares of Restricted Stock or Units That Have Not Vested (\$ (3)		
Brian R. Gamache	1/7/2005	48,646		21.67	1/7/2015					
	6/16/2005	52,852		22.60	6/16/2015					
	8/14/2006	78,195		16.95	8/14/2016					
	9/19/2007	49,434		30.55	9/19/2014					
	9/18/2008	57,134		29.35	9/18/2015	9/18/2008	5,100	101,745		
	9/17/2009	21,963	10,982	44.28	9/17/2016	9/17/2009	6,964	138,932		
	9/16/2010	14,132	28,263	39.01	9/16/2017	9/16/2010	12,218	243,749		
	9/15/2011 <sup>A</sup>		77,500	20.05	9/15/2018	9/16/2010			9,775	195,003
	9/15/2011 <sup>B</sup>		100,000	20.05	9/15/2018	9/15/2011	31,696	632,335		
						9/15/2011			19,018	379,401
	Orrin J. Edidin	8/14/2006	11,536		16.95	8/14/2016				
9/19/2007		22,727		30.55	9/19/2014					
9/18/2008		33,397		29.35	9/18/2015	9/18/2008	3,750	74,813		
9/18/2008		50,000		29.35	9/18/2015	9/18/2008	2,981	59,471		
9/17/2009		12,901	6,450	44.28	9/17/2016	9/17/2009	4,090	81,596		
9/16/2010		8,337	16,675	39.01	9/16/2017	9/16/2010	7,208	143,800		
9/15/2011 <sup>A</sup>			45,723	20.05	9/15/2018	9/16/2010			5,767	115,044
9/15/2011 <sup>B</sup>			50,000	20.05	9/15/2018	9/15/2011	18,700	373,065		
						9/15/2011			11,220	223,839
Scott D. Schweinfurth	5/10/2004	7,500		18.98	5/10/2014					
	12/9/2004	55,566		20.33	12/9/2014					



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1/7/2005	19,177		21.67	1/7/2015					
6/16/2005	21,669		22.60	6/16/2015					
8/14/2006	31,782		16.95	8/14/2016					
9/19/2007	20,866		30.55	9/19/2014					
					9/18/2008	2,157	43,032		
9/18/2008	24,161		29.35	9/18/2015					
9/18/2008	25,000		29.35	9/18/2015					
					9/17/2009	2,959	59,032		
9/17/2009	9,333	4,667	44.28	9/17/2016					
					9/16/2010	5,242	104,578		
					9/16/2010			4,194	83,670
9/16/2010	6,064	12,128	39.01	9/16/2017					
9/15/2011 <sup>A</sup>		33,255	20.05	9/15/2018					
9/15/2011 <sup>B</sup>		35,000	20.05	9/15/2018					
					9/15/2011	13,601	271,340		
					9/15/2011			8,161	162,804

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Name	Stock Option Awards					Stock Awards				
	Stock Option Grant Date	Number of Securities Underlying Unexercised Stock Options Exercisable (#)	Number of Securities Underlying Unexercised Stock Options (#) (1)	Stock Option Exercise Price (\$)	Stock Option Expiration Date	Stock Award Grant Date	Number of Shares of Restricted Stock or Units That Have Not Vested (#) (2)	Market Value of Shares of Restricted Stock or Units That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares Issuable for Units That Have Not Vested (#) (4)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Larry J. Pacey	5/10/2004	3,750		18.98	5/10/2014					
	1/7/2005	14,326		21.67	1/7/2015					
	6/16/2005	14,496		22.60	6/16/2015					
	8/14/2006	23,542		16.95	8/14/2016					
	9/19/2007	14,250		30.55	9/19/2014					
						9/18/2008	2,058	41,057		
						9/18/2008	1,250	24,938		
	9/18/2008	23,060		29.35	9/18/2015					
	9/18/2008	25,000		29.35	9/18/2015					
						9/17/2009	2,838	56,618		
	9/17/2009	8,951	4,475	44.28	9/17/2016					
						9/16/2010	5,074	101,226		
						9/16/2010			4,059	80,977
	9/16/2010	5,868	11,737	39.01	9/16/2017					
	9/15/2011 <sup>A</sup>		32,183	20.05	9/15/2018					
9/15/2011 <sup>B</sup>		25,000	20.05	9/15/2018						
					9/15/2011	13,162	262,582			
					9/15/2011			7,897	157,549	
Kenneth Lochiatto	6/30/2006	40,000		18.26	6/30/2016					
	9/19/2007	9,727		30.55	9/19/2014					
						9/18/2008	1,544	30,803		
						9/18/2008	1,875	37,406		
	9/18/2008	17,295		29.35	9/18/2015					
	9/18/2008	25,000		29.35	9/18/2015					
						9/17/2009	2,181	43,511		
	9/17/2009	6,881	3,440	44.28	9/17/2016					
						9/16/2010	4,089	81,576		
						9/16/2010			3,271	65,260
	9/16/2010	4,729	9,458	39.01	9/16/2017					
	9/15/2011 <sup>A</sup>		25,935	20.05	9/15/2018					
9/15/2011 <sup>B</sup>		35,000	20.05	9/15/2018						
					9/15/2011	10,607	211,610			
					9/15/2011			6,364	126,966	

(1) The table below shows the vesting schedule of unexercisable options reported in the Number of Securities Underlying Unexercised Options Unexercisable column of the table above.

Grant Date	Vesting Schedule
9/17/2009	100% vesting in September 2012
9/16/2010	50% vesting in September 2012 and 2013
9/15/2011 <sup>A</sup>	33 1/3% vesting in September 2012, 2013 and 2014
9/15/2011 <sup>B</sup>	25% vesting in September 2012, 2013, 2014 and 2015

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- (2) The table below shows the vesting schedule of restricted shares of stock and restricted stock units that have not vested in the Number of Shares of Restricted Stock or Units that Have Not Vested column of the table above.

<b>Grant Date</b>	<b>Vesting Schedule</b>
9/18/2008	100% vesting in September 2012
9/17/2009	50% vesting in September 2012 and 2013
9/16/2010	33 1/3% vesting in September 2012, 2013 and 2014
9/15/2011	25% vesting in September 2012, 2013, 2014 and 2015

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- (3) Value of the restricted stock units and restricted stock is based on the closing trading price of our common stock on June 30, 2012, the last trading date in our 2012 fiscal year, \$19.95.
- (4) The table below shows additional information concerning equity based performance units that have not vested in the Equity Incentive Plan Awards: Number of Unearned Shares Issuable for Units That Have Not Vested column of the table above. The number included above assumes 60% payout upon achievement of the threshold goal. Based on our current performance expectations, our financial performance for the three years ended June 30, 2013 and 2014 will not meet the minimum threshold performance and accordingly no shares are expected to be issued.

Grant Date	Performance Measurement Date	Threshold Percentage	Target Percentage	Maximum Percentage
9/16/2010	June 30, 2013	60%	100%	200%
9/15/2011	June 30, 2014	60%	100%	200%

- (5) Value of the equity-based performance units is based on the closing trading price of our common stock on June 30, 2012, the last trading day in our 2012 fiscal year, \$19.95, multiplied by the number of units in the Equity Incentive Plan Awards: Number of Unearned Shares Issuable for Units That Have Not Vested column.

**STOCK OPTION EXERCISES AND STOCK VESTED IN FISCAL YEAR 2012**

Name	Stock Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (1)
Brian R. Gamache			17,069	\$ 334,314
Orrin J. Edidin			13,209	259,752
Scott D. Schweinfurth			7,247	141,948
Larry J. Pacey			7,692	151,193
Kenneth Lochiatto			6,741	132,685

- (1) Includes restricted stock which vested in fiscal year 2012. The value realized for the restricted shares in the chart above equals the closing trading price of our common stock on the vesting date multiplied by the number of shares vesting as set forth below:

Name	Grant Date	Number of Shares Vested	Closing Trading Price on Vesting Date
Brian R. Gamache	9/19/2007	4,414	\$ 19.03
	9/18/2008	5,100	19.78
	9/17/2009	3,482	19.78
	9/16/2010	4,073	19.78
Orrin J. Edidin	9/19/2007	2,029	19.03
	9/18/2008	6,731	19.78
	9/17/2009	2,046	19.78
	9/16/2010	2,403	19.78
Scott D. Schweinfurth	9/19/2007	1,863	19.03
	9/18/2008	2,156	19.78
	9/17/2009	1,480	19.78
	9/16/2010	1,748	19.78
Larry J. Pacey	9/19/2007	1,273	19.03

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	9/18/2008	3,309	19.78
	9/17/2009	1,419	19.78
	9/16/2010	1,691	19.78
<b>Kenneth Lochiatto</b>	9/19/2007	869	19.03
	9/18/2008	3,418	19.78
	9/17/2009	1,091	19.78
	9/16/2010	1,363	19.78

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Although equity-based performance units vested on June 30, 2012, because the minimum threshold performance goals were not met, the payout factor for these equity-based performance units was zero and no shares were issued.

**PENSION BENEFITS**

None of our named executive officers received any benefits in fiscal year 2012 under defined pension plans. As of June 30, 2012, we agreed to provide Mr. Gamache with certain retirement benefits pursuant to his employment agreement consisting of four annual payments equal to 50% of his annual base salary at the time of termination of his employment, but not less than \$432,000, payable in equal monthly installments. Such monthly payments will continue for four years and one month, at the conclusion of which we will pay Mr. Gamache a lump sum payment determined by discounting each monthly installment that would have been paid to Mr. Gamache had the equal monthly installments continued for a period of time equal to the period of time after March 21, 2000 that Mr. Gamache was employed full time by us. The value of those benefits is listed below. The present value of these benefits is based upon an assumed termination of employment date of November 28, 2020, at age 62, using a discount rate of 3.8%.

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (\$)	Payments During Last Fiscal Year (\$)
Brian R. Gamache	Termination benefits pursuant to Employment Agreement	12.25	4,917,738	

**NON-QUALIFIED DEFERRED COMPENSATION TABLE**

We offer our named executive officers the opportunity to participate in two retirement savings plans: (i) the WMS Industries Inc. 401(k) Plan, a tax qualified deferred compensation plan available to all employees and (ii) the WMS Industries Non-Qualified Deferred Compensation Plan which is available to certain employees, including our named executive officers. These plans allow our named executive officers and other of our employees to voluntarily defer receipt of a portion of their salary and all or a portion of any bonus received, until the date or dates selected by the participant. The participant is able to select from a range of investment options for these deferred funds. There is no selection available under either plan which would allow investment in our securities. Below is a table providing additional information about our named executive officers' participation in the Non-Qualified Deferred Compensation Plan. For the company-match contributions provided to our named executive officers under the 401(k) Plan, please see the Summary Compensation Table and Additional Information Concerning the Summary Compensation and Grants of Plan-Based Awards Tables All Other Compensation beginning on page 46 of this Proxy Statement.

Name	Executive Contributions in Last Fiscal Year (\$)	Company Contributions in Last Fiscal Year (\$)	Aggregate Earnings in Last Fiscal Year (\$)	Aggregate Withdrawals or Distributions (\$)(1)	Aggregate Balance at Last Fiscal Year-End (\$)
Brian R. Gamache	45,396	33,501	48	258,684	376,682
Orrin J. Edidin	31,160	18,850	-986	172,029	201,364
Scott D. Schweinfurth	30,393	15,144	-17,993	0	595,036
Larry J. Pacey (2)	57,779	14,286	-44,166	0	758,091
Kenneth Lochiatto	32,449	8,775	17,682	0	425,752

- (1) Under the terms of the Non-Qualified Deferred Compensation Plan, three years ago, both Mr. Gamache and Mr. Edidin elected to have a distribution made to them from their accounts during fiscal year 2012.



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- (2) Excludes contributions and earnings on contributions made to a separate employer contribution account pursuant to a Deferred Compensation Agreement, dated January 27, 2007, which is subject to the terms of the Non-Qualified Deferred Compensation Plan. The activity in this separate employer contribution account during fiscal year 2012 was:

Name	Company Contributions in Last Fiscal Year (\$)	Aggregate Earnings in Last Fiscal Year (\$)	Aggregate Withdrawals or Distributions (\$)	Aggregate Balance at Last Fiscal Year-End (\$)
Larry J. Pacey	103,846	-31,725	0	598,530

Our named executive officers may borrow from their accounts or withdraw funds under the 401(k) Plan on the same terms and subject to the same conditions as all other employees. Under the 401(k) Plan, distribution may occur upon termination of employment, death of the employee or retirement at the normal retirement age under the Plan.

Under the Non-Qualified Deferred Compensation Plan, participants, including our named executive officers, elect the date for distribution of deferred contributions made in any year prior to the commencement of that year and subject to the requirement that the distribution occur no earlier than January 15th of the third plan year following the plan year for which the deferral election is made. Distribution of participant account balances under the Non-Qualified Deferred Compensation Plan will occur upon the earliest to occur of: (i) the date elected by such participant; (ii) the date of separation of service (as defined under the Internal Revenue Code) of the participant from our company; or (iii) the date we terminate the Plan. For all participants, distribution of account balances will accelerate upon a change-in-control of our company, except for the supplemental company contribution account for Mr. Pacey.

Mr. Pacey will vest in his separate employer contribution account under his Deferred Compensation Agreement, dated January 27, 2007, only if he remains continuously employed with us until February 1, 2017; provided however, if Mr. Pacey's employment is terminated prior to the vesting date as a result of death, disability or termination by our company, other than for cause, he will become 100% vested in the separate employer contribution account, however, our obligation to make contributions shall cease on the date of any such termination.

**POTENTIAL PAYMENTS UPON TERMINATION****OR CHANGE-IN-CONTROL**

The rules of the Securities and Exchange Commission require us to provide quantitative disclosure concerning potential payments upon termination or change-in-control assuming termination as of the last business day of our last completed fiscal year, June 30, 2012.

**Mr. Brian R. Gamache, Chairman and Chief Executive Officer**

As of June 30, 2012, upon the termination of Mr. Gamache's employment for any reason, whether by us or Mr. Gamache, he would have received the retirement benefits, payable in installments, specified under his employment agreement which would consist of four annual payments equal to 50% of his annual base salary at the time of termination of his employment, but not less than \$432,000, payable in equal monthly installments. Such monthly payments would continue for four years and one month, at the conclusion of which we would pay Mr. Gamache a lump sum payment determined by discounting each monthly installment that would have been paid to Mr. Gamache had the equal monthly installment continued for a period of time equal to the period of time after March 21, 2000 that Mr. Gamache was employed by



us.

If Mr. Gamache were disabled for more than 90 consecutive days or six months in any 12 month period during the term of his employment agreement and was not able to resume his duties within 30 days of notice of disability, Mr. Gamache's employment would terminate, and he would receive the retirement benefits specified

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under his employment agreement which are described under Pension Benefits above. In the event of Mr. Gamache's death, his designated beneficiaries would continue to receive salary payments for a period of six months after the date of his death and would receive the retirement benefits that would otherwise have been paid to Mr. Gamache. In addition, in the case of Mr. Gamache's death or disability, all of Mr. Gamache's unvested stock options and stock equity grants would immediately vest, and he and his wife would continue to receive health benefits for life while his son will continue to receive health benefits until he reaches the age of 18, or while he remains a full-time student after the age of 18 but in no event past the age of 23.

We may terminate Mr. Gamache's employment agreement for cause, which includes dishonesty or failure to follow the reasonable direction of our Board. Additionally, Mr. Gamache may terminate his employment at any time with or without good reason. Finally, his employment agreement may expire if either Mr. Gamache or our company gives the other two years' notice of their intention not to renew. Upon any termination for cause, expiration of the employment agreement or termination by Mr. Gamache without good reason, Mr. Gamache would receive the retirement benefits, payable in installments, specified under his employment agreement and Mr. Gamache, his wife and son would continue to receive health benefits for life provided the health benefits provided to Mr. Gamache's son would discontinue if he earlier reached the age of 18, or if he remained a full-time student after the age of 18 until he reached the age of 23. If Mr. Gamache's employment would have terminated for cause, expiration of the employment agreement or termination by Mr. Gamache without good reason on or prior to June 30, 2012, Mr. Gamache, his wife and son would continue to receive health benefits for five years after termination.

Mr. Gamache may terminate his employment agreement for good reason upon the occurrence of: (i) a material breach by us of any material provision of his employment agreement, (ii) the placement of Mr. Gamache in a position of lesser status, (iii) the assignment of duties inconsistent with his current position, (iv) the reduction of the compensation to which he is entitled under his employment agreement, (v) his removal from our Board or (vi) the relocation of our headquarters to a location more than 40 miles farther from his current place of residence than the present location of our headquarters.

Upon any termination by Mr. Gamache for good reason, or by us without cause, we would be obligated to pay Mr. Gamache: (a) a lump sum payment equal in amount to his base salary through the date of termination, less any payments previously made; (b) the pro-rata bonus which would have been payable for the fiscal year that includes his termination date; (c) an amount equal to three times the sum of (i) his base salary and (ii) a bonus amount equal to the average annual cash bonus earned by Mr. Gamache over the immediately preceding two fiscal years; and (d) the retirement benefits which would have been payable on the date of termination. In addition, all of Mr. Gamache's unvested stock options and stock equity grants would immediately vest and Mr. Gamache and his wife would continue to receive health benefits for life while his son will continue to receive health benefits until he reaches the age of 18, or while he remains a full-time student after the age of 18 but in no event past the age of 23.

Mr. Gamache also may terminate his employment agreement if either of the following change-in-control events occurs: (i) the individuals who presently constitute our Board, or successors approved by these Board members or their successors, cease for any reason to constitute at least a majority of our Board or (ii) both of the following occur (a) any person or entity or group of affiliated persons or entities who are not the owner of at least 15% of our outstanding voting securities on December 27, 2004, acquire more than 50% of our outstanding voting securities and (b) Mr. Gamache remains employed by us for a period of 180 days thereafter. As of June 30, 2012, if either such a change-in-control event had occurred and Mr. Gamache had given timely notice: (a) all of Mr. Gamache's unvested stock options and stock equity grants would have immediately vested; (b) we would have been required to pay him a lump sum of three times the sum of (i) his base salary and (ii) a bonus amount equal to the average annual cash bonus earned by Mr. Gamache over the immediately preceding two fiscal years; (c) all of his retirement benefits would have been payable as if he had retired on the date of such change-in-control; and (d) Mr. Gamache, his wife and son would continue to receive health benefits for life provided the health benefits provided to Mr. Gamache's son would discontinue if he earlier reached the age of 18, or if he remained a full-time

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student after the age of 18 until he reached the age of 23. If Mr. Gamache's employment would have terminated following a change-in-control event on or prior to June 30, 2012, Mr. Gamache, his wife and son would continue to receive health benefits for five years after termination.

If payments made to Mr. Gamache under his employment agreement after a change-in-control were considered excess parachute payments under Section 280G of the Internal Revenue Code, additional compensation would be required to be paid to Mr. Gamache to the extent necessary to eliminate the economic effect on him of the resulting excise tax. Under Section 4999 of the Internal Revenue Code, in addition to income taxes, the recipient of excess parachute payments is subject to a 20% nondeductible excise tax on these payments. An excess parachute payment is a payment in the nature of compensation which is contingent on a change of ownership or effective control and which exceeds the portion of the base amount (i.e., the average compensation for the five-year period prior to the change-in-control) allocable to the payment. These rules apply only if the present value of all payments of compensation contingent on the change-in-control (including non-taxable fringe benefits) is at least equal to three times the base amount. Excess parachute payments are not tax deductible by us. Based on a recent calculation, if Mr. Gamache's employment had been terminated for any reason on June 30, 2012, no excise tax would be due.

The following table provides quantitative disclosure of the incremental payments and value that Mr. Gamache would have received or realized as a result of the employment termination events described below pursuant to agreements or arrangements that apply to him only and not to all of our employees generally. The calculations (i) assume a termination date of June 30, 2012 and (ii) for the valuation of shares underlying stock options, restricted stock and shares issued under equity-based performance units for which vesting would have been accelerated, use the closing trading price of our common stock on June 30, 2012, the last trading day in our fiscal year, \$19.95. Information concerning Mr. Gamache's benefits under the Non-Qualified Deferred Compensation Plan is set forth above in the Non-Qualified Deferred Compensation Table.

Termination Event	Salary and/or Bonus (1)	Termination Benefits (2)	Accelerated Options	Accelerated Restricted Stock	Accelerated Equity-based Performance Units (3)	Other Benefits	Total
Retirement or Expiration of Employment Agreement		\$ 4,917,738				\$ 134,923(4)	\$ 5,052,661
Disability		4,917,738	(5)	\$ 1,116,761(5)	\$ 957,341(5)	636,029(6)	7,627,869
Death	\$ 486,165(7)	4,917,738	(5)	1,116,761(5)	957,341(5)	471,601(8)	7,949,606
For Cause		4,917,738				134,923(4)	5,052,661
Without Cause or For Good Reason	2,916,990(9)	4,917,738	(5)	1,116,761(5)	957,341(5)	636,029(6)	10,554,859
Change-In-Control	2,916,990(9)	4,917,738	(5)	1,116,761(5)	957,341(5)	134,923(4)	10,043,753

- (1) By assuming that such termination occurs at the end of the fiscal year, we also assume that all base salary through the date of termination and bonus amounts payable for fiscal year 2012 have been previously paid on the termination date.
- (2) Payable over four years and one month as described above. Each scheduled monthly installment remaining unpaid on the date of death and each monthly installment that would be paid will be discounted using the treasury yield curve for ten year U.S. Treasury Bonds published by the U.S. Department of the Treasury. If ten year maturity treasury U.S. Treasury Bond daily yield curve rates are no longer published, the next shortest maturity of U.S. Treasury Bonds for which daily treasury yield curve rates are published by the U.S. Department of the Treasury will be used.
- (3) Assuming achievement of the target, triggering 100% payout.
- (4) Consists of continuing health benefits for Mr. Gamache, his spouse and his son for five years post termination.
- (5) Mr. Gamache's employment agreement provides for accelerated vesting of equity grants upon death, disability, termination of employment with good reason or without cause and a change-in-control. Certain equity grants made to other employees may also accelerate upon a change-in-control under the terms of the

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- Incentive Plan or the related equity grant agreements. Because the definition of the term "change-in-control" may differ in these documents, Mr. Gamache's equity grants may accelerate upon a "change-in-control" while those of other employees do not.
- (6) Consists of continuing health benefits for life for Mr. Gamache (26 years) and his spouse (30 years) and up to a specified age for his son (10 years).
  - (7) Payable over six months.
  - (8) Consists of continuing health benefits for life for Mr. Gamache's spouse (30 years) and up to a specified age for his son (10 years).
  - (9) Payable in a lump sum.

**Mr. Orrin J. Edidin, President and Mr. Scott D. Schweinfurth, Executive Vice President, Chief Financial Officer and Treasurer**

We may terminate either Mr. Edidin's or Mr. Schweinfurth's employment agreement upon 30 days written notice for cause, which includes dishonesty or failure to follow a reasonable direction of our Chief Executive Officer or our Board. Both Mr. Edidin's and Mr. Schweinfurth's employment agreements may be terminated by either party upon two years notice.

Mr. Edidin and Mr. Schweinfurth may also terminate their respective employment agreements upon 30 days written notice for good reason, which means the occurrence of a material breach by us of any material provision of the applicable employment agreement, including a material diminution of responsibility or base salary, or, in the event of a change-in-control, the relocation of his primary office to a location more than 40 miles farther from his current place of residence than the present location of our Waukegan and Chicago, Illinois offices.

Upon any termination by Mr. Edidin or Mr. Schweinfurth for good reason, or by us without cause, under each employment agreement, we would be obligated to pay: (a) a lump sum payment equal in amount to their base salary through the date of termination less any payments previously made, (b) within 30 days after the end of the fiscal year in which such termination occurred, a pro rata amount of the bonus payable for the fiscal year in which such termination occurs to the extent not already paid, (c) base salary and one year's bonus over the next 12 months at normal payroll intervals and (d) within 30 days after the first anniversary of such termination, a lump sum payment equal in amount to two times the sum of (i) his base salary and (ii) one year's bonus. Each of their employment agreements defines "one year's bonus" as the average annual cash bonus paid to such officer over the immediately preceding two fiscal years.

As of June 30, 2012, if the applicable employment agreement terminated by reason of the officer's death or his absence from his duties on a full-time basis for 90 consecutive business days as a result of incapacity due to mental or physical illness which was determined to be total and permanent by a physician, we would be required to pay the officer or his legal representatives: (a) a lump sum payment equal in amount to his base salary through the date of termination less any payments previously made, (b) the pro-rata bonus which would have been payable for the fiscal year had he remained employed; and (c) a lump sum equal to one-half the sum of (i) his base salary and (ii) one year's bonus.

Mr. Edidin's or Mr. Schweinfurth's employment agreement may also be terminated if either of the following change-in-control events occurs: (i) the individuals who presently constitute our Board, or successors approved by these Board members, cease for any reason to constitute at least a majority of our Board, and the officer gives written notice of his election to terminate his employment within 60 days of such event or (ii) any person or entity or group of affiliated persons or entities who were not the owners of at least 15% of the outstanding shares of our voting securities as of January 1, 2005, acquires more than 25% of our outstanding shares, and the officer gives written notice of his election to terminate his employment for good reason or we terminate his employment not for cause, death or disability within 180 days of such acquisition. In the event of such a termination of Mr. Edidin's or Mr. Schweinfurth's employment agreement, then in lieu of any other rights under his employment agreement, we will be required to pay him (a) any accrued base salary and the pro rata

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bonus for the fiscal year to the extent not already paid; and (b) a lump sum of three times the sum of (i) his base salary and (ii) one year's bonus. In addition, upon a change-in-control event, all of Mr. Edidin's and Mr. Schweinfurth's unexpired unvested stock options and all other stock equity grants (restricted stock, restricted units and equity-based performance units) will immediately vest.

If payments made to Mr. Edidin or Mr. Schweinfurth under their respective employment agreements after a change-in-control are considered excess parachute payments under Section 280G of the Internal Revenue Code, additional compensation is required to be paid to them to the extent necessary to eliminate the economic effect on him of the resulting excise tax. With respect to excess parachute payments made to either Mr. Edidin or Mr. Schweinfurth, under Section 4999 of the Internal Revenue Code, in addition to income taxes, the recipient of excess parachute payments is subject to a 20% nondeductible excise tax on these payments. An excess parachute payment is a payment in the nature of compensation which is contingent on a change of ownership or effective control and which exceeds the portion of the base amount (i.e., the average compensation for the five year period prior to the change-in-control) allocable to the payment. These rules apply only if the present value of all payments of compensation contingent on the change-in-control (including non-taxable fringe benefits) is at least equal to three times the base amount. Excess parachute payments are not tax deductible by us. Based on a recent calculation, if Mr. Edidin's or Mr. Schweinfurth's employment had been terminated for any reason on June 30, 2012, no excise tax would be due.

*Mr. Edidin*

The following table provides quantitative disclosure of the incremental payments and value that Mr. Edidin would have received or realized as a result of the employment termination events described below pursuant to agreements or arrangements that apply to him only and not to all of our employees generally. The calculations (i) assume a termination date of June 30, 2012 and (ii) for the valuation of shares underlying stock options, restricted stock and shares issued under equity-based performance units for which vesting would have been accelerated, use the closing trading price of our common stock on June 30, 2012, the last trading day in our fiscal year, \$19.95. Information concerning Mr. Edidin's benefits under the Non-Qualified Deferred Compensation Plan is set forth above in the Non-Qualified Deferred Compensation Table.

Termination Event	Salary and/or Bonus (1)	Accelerated Options	Accelerated Restricted Stock	Accelerated Equity-based Performance Units (2)	Other Benefits	Total
Disability or Death	\$ 327,795(3)					\$ 327,795
Without Cause or For Good Reason	1,966,770(4)					1,966,770
Change-In-Control	1,966,770(3)		\$ 732,744(5)	\$ 564,804(5)		3,264,318

- (1) By assuming that such termination occurs at the end of the fiscal year, we also assume that all base salary through the date of termination and any bonus amounts payable for fiscal year 2012 have been paid previously or on the termination date.
- (2) Assuming achievement of the target, triggering 100% payout.
- (3) Payable in a lump sum.
- (4) For 12 months following termination, salary and bonus amounts are paid in regular payroll installments; on the first anniversary of the termination date, a lump sum payment equal to two times the sum of (i) one year's salary and (ii) one year's bonus will be paid.
- (5) Mr. Edidin's employment agreement provides for acceleration of vesting of certain equity grants upon a change-in-control. Certain equity grants made to other employees may also accelerate under the terms of the Incentive Plan or the related equity grant agreements. Because the definition of the term change-in-control may differ in these documents, Mr. Edidin's equity grants may accelerate upon a change-in-control while those of other employees do not.

**Table of Contents***Mr. Schweinfurth*

The following table provides quantitative disclosure of the incremental payments and value that Mr. Schweinfurth would have received as a result of the employment termination events described below pursuant to agreements or arrangements that apply to him only and not to all of our employees generally. The calculations (i) assume a termination date of June 30, 2012 and (ii) for the valuation of shares underlying stock options, restricted stock and shares issued under equity-based performance units for which vesting would have been accelerated, use the closing trading price of our common stock on June 30, 2012, the last trading day in our fiscal year, \$19.95. Information concerning Mr. Schweinfurth's benefits under the Non-Qualified Deferred Compensation Plan is set forth above in the Non-Qualified Deferred Compensation Table.

Termination Event	Salary and/or Bonus (1)	Accelerated Options	Accelerated Restricted Stock	Accelerated Equity-based Performance Units (2)	Other Benefits	Total
Disability or Death	\$ 287,742(3)					\$ 287,742
Without Cause or For Good Reason	1,726,452(4)					1,726,452
Change-In-Control	1,726,452(3)		\$ 477,982(5)	\$ 410,790(5)		2,615,224

- (1) By assuming that such termination occurs at the end of the fiscal year, we also assume that all base salary through the date of termination and any bonus amounts payable for fiscal year 2012 have been paid previously or on the termination date.
- (2) Assuming achievement of the target, triggering 100% payout.
- (3) Payable in a lump sum.
- (4) For 12 months following termination, salary and bonus amounts are paid in regular payroll installments; on the first anniversary of the termination date, a lump sum payment equal to two times the sum of (i) one year's salary and (ii) one year's bonus will be paid.
- (5) Mr. Schweinfurth's employment agreement provides for acceleration of vesting of certain equity grants upon a change-in-control. Certain equity grants made to other employees may also accelerate under the terms of the Incentive Plan or the related equity grant agreements. Because the definition of the term change-in-control may differ in these documents, Mr. Schweinfurth's equity grants may accelerate upon a change-in-control while those of other employees do not.

**Mr. Larry J. Pacey, Executive Vice President, Global Products and Chief Innovation Officer and Mr. Kenneth Lochiatto, Executive Vice President and Chief Operating Officer**

We may terminate either Mr. Pacey's or Mr. Lochiatto's employment agreement for cause, which includes failure to perform his duties, death, disability for a period of three months, violations of our Code of Conduct or a violation of a criminal law or other action which might be reasonably likely to result in the loss of gaming licenses held by one of our operating entities. Upon any termination of Mr. Pacey's employment agreement by us, other than for cause, we would be obligated to pay Mr. Pacey 24 months of base salary. Upon any termination of Mr. Lochiatto's employment agreement by us, other than for cause, we would be obligated to pay Mr. Lochiatto 24 months of base salary and the pro-rated portion of the annual bonus due Mr. Lochiatto through the date of termination.

We would be obligated to pay 24 months of base salary to Mr. Pacey after the following change-in-control events: (a) individuals who presently constitute our Board, or who have been recommended for election to such Board by two-thirds of such Board consisting of individuals who are either presently on such Board or such recommended successors, cease for any reason to constitute at least a majority of our Board and Mr. Pacey gives written notice of his election to terminate his employment within 60 days after such event or (b) any person or entity or group of affiliated persons or entities who are not owners of at least 15% of the outstanding shares of our voting securities on the effective date of his employment agreement acquire more than 25% of the outstanding shares of our voting securities and within 180 days of such acquisition, we terminate Mr. Pacey's employment for any reason other than for cause, death or disability.



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We would be obligated to pay 24 months of base salary to Mr. Lochiatto if we terminate his employment for any reason other than for cause, death or disability within 180 days of either of these change-in-control events: (a) individuals who presently constitute our Board, or who have been recommended for election to such Board by two-thirds of such Board consisting of individuals who are either presently on such Board or such recommended successors, cease for any reason to constitute at least a majority of our Board or (b) any person or entity or group of affiliated persons or entities who are not owners of at least 15% of the outstanding shares of our voting securities on the effective date of his employment agreement acquire more than 25% of the outstanding shares of our voting securities.

For both Messrs. Pacey and Lochiatto such 24 months of base salary would be paid in regular payroll intervals unless required to be paid per a different timetable to satisfy Internal Revenue Code Section 409A. For Mr. Lochiatto, his pro-rated bonus would be paid within 30 days after our audited financial statements for the fiscal year that includes his termination date are publicly announced. Additionally, upon a change-in-control event involving an acquisition of our voting stock, all of Mr. Pacey's and Mr. Lochiatto's unexpired unvested options and stock equity grants will immediately vest.

*Mr. Pacey*

The following table provides quantitative disclosure of the incremental payments and value that Mr. Pacey would have received or realized as a result of the employment termination events described below pursuant to agreements or arrangements that apply to him only and not to all of our employees generally. The calculations (i) assume a termination date of June 30, 2012 and (ii) for the valuation of shares underlying stock options, restricted stock and shares issued under equity-based performance units for which vesting would have been accelerated, use the closing trading price of our common stock on June 30, 2012, the last trading day in our fiscal year, \$19.95. Information concerning Mr. Pacey's benefits under the Non-Qualified Deferred Compensation Plan is set forth above in the Non-Qualified Deferred Compensation Table.

Termination Event	Salary (1)	Accelerated Options	Accelerated Restricted Stock	Accelerated Equity-based Performance Units (2)	Other Benefits (3)	Total
Disability or Death					\$ 598,530	\$ 598,530
Without Cause	\$ 1,113,840(4)				598,530	1,712,370
Change-In-Control	1,113,840(4)	(5)	\$ 486,421(5)	\$ 397,544(5)		1,997,805

- (1) By assuming that such termination occurs at the end of the fiscal year, we also assume that all base salary through the date of termination and any bonus amounts payable for fiscal year 2012 have been paid previously or on the termination date.
- (2) Assuming achievement of the target, triggering 100% payout.
- (3) Payable under Mr. Pacey's Deferred Compensation Agreement, dated January 27, 2007, consisting of the vested balance as of June 30, 2012.
- (4) Payable in regular payroll intervals.
- (5) Mr. Pacey's employment agreement provides for acceleration of vesting of certain equity grants upon a change-in-control. Certain equity grants made to other employees may also accelerate under the terms of the Incentive Plan or the related equity grant agreements. Because the definition of the term change-in-control may differ in these documents, Mr. Pacey's equity grants may accelerate upon a change-in-control while those of other employees do not.

*Mr. Lochiatto*

The following table provides quantitative disclosure of the incremental payments and value that Mr. Lochiatto would have received or realized as a result of the employment termination events described below pursuant to agreements or arrangements that apply to him only and not to all



of our employees generally. The calculations (i) assume a termination date of June 30, 2012 and (ii) for the valuation of shares underlying stock

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options, restricted stock and shares issued under equity-based performance units for which vesting would have been accelerated, use the closing trading price of our common stock on June 30, 2012, the last trading day in our fiscal year, \$19.95. Information concerning Mr. Lochiatto's benefits under the Non-Qualified Deferred Compensation Plan is set forth above in the Non-Qualified Deferred Compensation Table.

Termination Event	Salary (1)	Accelerated Options	Accelerated Restricted Stock	Accelerated Equity-based Performance Units (2)	Other Benefits	Total
Without Cause	\$ 897,600(3)					\$ 897,600
Change-In-Control	897,600(3)	(4)	\$ 404,906(4)	\$ 320,377(4)		1,622,883

- (1) By assuming that such termination occurs at the end of the fiscal year, we also assume that all base salary through the date of termination and any bonus amounts payable for fiscal year 2012 have been paid previously or on the termination date.
- (2) Assuming achievement of the target, triggering 100% payout.
- (3) Payable in regular payroll intervals.
- (4) Mr. Lochiatto's employment agreement provides for acceleration of vesting of certain equity grants upon a change-in-control. Certain equity grants made to other employees may also accelerate under the terms of the Incentive Plan or the related equity grant agreements. Because the definition of the term change-in-control may differ in these documents, Mr. Lochiatto's equity grants may accelerate upon a change-in-control while those of other employees do not.

**Non-Competition, Non-Solicitation, Confidentiality and Non-Disparagement**

Under his employment agreement, as amended effective July 1, 2008, Mr. Gamache has agreed not to compete with us for a period of four years following termination of his employment for any reason. Additionally, he has agreed not to try to solicit our employees for employment elsewhere for a period of the greater of four years following termination of his employment or during the period he is receiving termination benefits from us. Under their respective employment agreements, each of Messrs. Edidin, Schweinfurth and Pacey has agreed not to compete with us for a period of two years from termination of his employment by our company for cause or by him without good reason and for a period of one year if he terminates his employment with us for good reason or if we terminate his agreement without cause. Mr. Lochiatto has agreed not to compete with us for a period of one year following termination of his employment or for such period as we continue to pay Mr. Lochiatto's base salary, not to exceed two years following termination for any reason other than cause. Each named executive officer has agreed not to solicit our employees for a period of two years following termination of his employment for any reason. Our named executive officers have also agreed not to disclose or misuse our confidential information. Under their employment agreements, Messrs. Gamache, Edidin, Schweinfurth, Pacey and Lochiatto have agreed to not disparage or make statements detrimental to us.

**Table of Contents****Equity Compensation Plan Table**

The following table summarizes the securities authorized for issuance pursuant to our equity compensation plans as of June 30, 2012:

**EQUITY COMPENSATION PLAN TABLE**

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding those reflected in the first column)</b>
Equity compensation plans approved by stockholders	5,492,952(1)	\$ 27.45	1,149,875
Equity compensation plans not approved by stockholders	12,317(2)	\$ 19.49	(3)
<b>Total</b>	<b>5,505,269</b>		<b>1,149,875</b>

- (1) Consists of options granted under our 2000 and 2002 stock option plans and our Incentive Plan. Does not include 368,589 restricted stock units or shares of Restricted Stock, 378,897 Equity-based Performance Units, or 19,915 Deferred Units issued under our Amended and Restated Incentive Plan.
- (2) Consists of options granted under our 1998 and 2000 Non-Qualified Stock Option Plans.
- (3) No additional awards can be made under our 1998 and 2000 Non-Qualified Stock Option Plans.

**PROPOSAL 2 APPROVAL OF OUR 2012 RESTATEMENT OF****THE WMS INDUSTRIES INC. INCENTIVE PLAN****General**

We are seeking stockholder approval of the 2012 Restatement to the WMS Industries, Inc. Amended and Restated Incentive Plan (the 2012 Restated Incentive Plan), which was adopted by our Board on October 9, 2012, subject to stockholder approval. All Board members, employees and consultants will continue to be eligible to participate in the 2012 Restated Incentive Plan. Compared to our existing plan, the 2012 Restated Incentive Plan, among other things:

- Ø Increases the number of shares available for grant by 5,700,000 shares; and

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- Ø Provides that each share granted as a full-value award after stockholder approval of the 2012 Restated Incentive Plan will reduce the shares available for grant by count as 1.8 shares.

The 2012 Restated Incentive Plan will become effective upon stockholder approval.

### **Reasons for Stockholder Ratification**

We seek stockholder approval of the 2012 Restated Incentive Plan for the following reasons:

- Ø To continue to implement a compensation program with a broad range of equity-based incentives to motivate our employees, directors and consultants and encourage them to use their best efforts on our behalf. These awards are an important element of compensation because they enable the grantees to acquire or increase their proprietary interest in us or directly benefit from our success and thereby promote a closer alignment of interests between the grantees and our stockholders.
- Ø To satisfy certain exchange and statutory requirements such as the New York Stock Exchange requirement that equity compensation plans be submitted to stockholders for their approval and to meet the performance-based exception requirements under section 162(m) of the Internal Revenue Code of 1986, as amended.

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### **Predecessors to the 2012 Restated Incentive Plan**

The Incentive Plan was originally adopted by our stockholders on December 9, 2004 and was subsequently amended and restated with our stockholders' approval on December 14, 2006 and December 10, 2009. The Incentive Plan replaced certain of our existing plans including our 2002, 2000, and 1994 Stock Option Plans and our 2000 and 1998 Non-Qualified Stock Option Plans. (Such predecessor plans are referred to collectively as the Preexisting Plans). Awards previously issued under any Preexisting Plan remain in effect and remain subject to the terms of the applicable plan. The shares subject to any awards under the Preexisting Plans that are subsequently terminated or forfeited will become available for awards under the 2012 Restated Incentive Plan.

### **Summary of the 2012 Restated Incentive Plan**

The following provides a brief summary of the principal features of the 2012 Restated Incentive Plan. A copy of the 2012 Restated Incentive Plan is attached to this Proxy Statement as Appendix A.

#### *Types of Awards*

The 2012 Restated Incentive Plan authorizes a broad range of awards, including:

- Ø Nonqualified stock options.
- Ø Stock appreciation rights.
- Ø Restricted stock (a grant of actual shares subject to a risk of forfeiture and restrictions on transfer).
- Ø Deferred stock units or restricted stock units (a contractual commitment to deliver shares at a future date).
- Ø Bonus stock.
- Ø Annual incentive awards tied to achievement of specific performance objectives.
- Ø Other equity-based performance awards (a contractual commitment to deliver shares or cash at a future date) which may also be subject to time-based vesting.

#### *Shares Available for Grant under the 2012 Restated Incentive Plan*

As of October 1, 2012, approximately 6,533,831 awards were outstanding under the Incentive Plan and the Preexisting Plans and approximately 283,268 shares were available for grant under the 2009 Restated Incentive Plan. There are no shares available for grant under the Preexisting Plans. If our stockholders approve the 2012 Restated Incentive Plan, there will be 5,700,000 additional shares available for a total of approximately 5,983,268 shares available for grant. In addition, shares that are released from outstanding awards by expiration, termination or forfeiture of awards under the Preexisting Plans will become available for grant under the 2012 Restated Incentive Plan and may be reissued as new awards. Under the Incentive Plan, shares do not become available again for new awards if shares are withheld or separately surrendered to pay the exercise price of an option or to satisfy tax withholding obligations relating to an award. However, shares do become available again for new grants if any equity-based performance units payout at a percentage less than 100%, if an award is settled in cash or if awards are forfeited including shares that had been issued as restricted stock. Since 2009, full-value awards have been counted as 1.6 shares. After stockholder approval of the 2012 Restated Incentive Plan, each share granted as a full-value award will count as 1.8 shares meaning each full-value award will reduce the shares available for grant by 1.8 shares and each share made available again in connection with the cancellation, forfeiture or cash settlement of full-value awards shall increase the shares available for grant by 1.8 shares. full-value awards means awards other than options, SARs, or awards for which the recipient pays the intrinsic value directly or by forgoing a right to receive a cash payment from us.

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As of October 1, 2012, outstanding awards under the 2009 Restated Incentive Plan and the Preexisting Plans consist of:

- Ø Nonqualified stock options to acquire 5,579,853 shares with a weighted average exercise price of \$27.10 and a weighted average remaining term of approximately 4 years, consisting of:

Number of Shares	Exercise Price Range	Percentage of Outstanding
8,894	\$5 to \$10	Less than 1%
7,628	\$10 to \$15	Less than 1%
900,038	\$15 to \$20	16%
1,958,104	\$20 to \$25	35%
845,475	\$25 to \$30	15%
435,350	\$30 to \$35	8%
915,691	\$35 to \$40	16%
361,673	\$40 to \$45	7%
147,000	\$45 to \$50	3%

- Ø 334,846 shares of restricted stock or restricted stock units.

- Ø 599,217 equity-based performance units.

- Ø 19,915 deferred stock units.

Shares delivered under the 2012 Restated Incentive Plan may be either newly issued or treasury shares.

*Per-Person Award Limitations*

The 2012 Restated Incentive Plan includes limitations on the amount of awards that may be granted to a participant in a given year in order to qualify awards as performance-based compensation not subject to the limitation on deductibility under Section 162(m) of the Internal Revenue Code. Under this annual per-person limitation, a participant may not be granted awards in excess of his or her Annual Limit. The Annual Limit for share-based awards equals 750,000 shares plus the amount of the participant's unused Annual Limit relating to share-based awards as of the close of the previous year, subject to adjustment for splits and other extraordinary corporate events. The Annual Limit for non share-based awards is \$3 million, plus the amount of the participant's unused Annual Limit relating to non share-based awards as of the close of the previous year. These limits apply only to awards under the 2012 Restated Incentive Plan and do not limit our ability to enter into compensation arrangements outside of the 2012 Restated Incentive Plan.

*Eligibility*

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Our directors, officers, employees and key consultants are eligible to be granted awards under the 2012 Restated Incentive Plan. In addition, a prospective employee may be granted an award, but no value may be realized under it if such person does not become an employee. We estimate the total number of persons currently eligible for awards to be approximately 1,800 persons including our nine non-employee directors and our seven executive officers.

### *Stock Options and SARs.*

The Compensation Committee is authorized to grant non-qualified stock options and stock appreciation rights. The exercise price of an option and the base price of a SAR are determined by the Compensation Committee, but may not be less than the fair market value of the shares on the date of grant. The maximum term of each option or SAR is seven years. Subject to this limit, the times at which each option or stock appreciation right will be exercisable and provisions requiring forfeiture of unexercised options at or following termination of



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employment or upon the occurrence of other events generally are fixed by the Compensation Committee. Options may be exercised by payment of the exercise price in cash, shares or other property (which may include through broker-assisted cashless exercise procedures). SARs are exercisable for shares or for cash, as determined by the Compensation Committee.

### *Restricted Stock and Deferred Stock Units*

The Compensation Committee is authorized to grant restricted stock and deferred stock units. Prior to the end of the restricted period, shares granted as restricted stock may not be sold, and will be forfeited in the event of termination of employment in specified circumstances. The Compensation Committee will establish the length of the restricted period for awards of restricted stock. If the granting or vesting of the awards is tied to performance conditions, the minimum vesting period of such awards shall be no less than one year. If neither the granting nor vesting is tied to performance conditions, then such awards shall have a minimum vesting period of no less than three years; provided up to 10% of the shares of stock authorized under the 2012 Restated Incentive Plan may be issued without such minimum vesting requirements. Aside from the risk of forfeiture and non-transferability, an award of restricted stock entitles the participant to the rights of one of our stockholders, including the right to vote the shares and to receive dividends, unless otherwise determined by the Compensation Committee. A deferred stock unit gives a participant the right to receive shares at the end of a specified deferral period. The Compensation Committee will establish the vesting requirements for deferred stock units. Prior to settlement, deferred stock units carry no voting or dividend rights or other rights associated with stock ownership.

### *Annual Incentive Awards*

The Compensation Committee may grant annual incentive awards, settleable in cash or in shares upon achievement of pre-established performance objectives achieved during a specified period of up to one year. For such annual incentive awards to constitute performance-based compensation and not be subject to the limitations on deductibility under Section 162(m) of the Internal Revenue Code, the Compensation Committee must establish the terms of the annual incentive awards, including the applicable performance goals and the corresponding amounts payable (subject to per-person limits), the other terms of settlement, and all other terms of these awards, not later than 90 days after the beginning of the performance period. In order for such an annual incentive award to be earned, one or more of performance objectives will have to be achieved. The Compensation Committee may specify additional requirements for the earning of such awards.

### *Performance Awards*

In addition to annual incentive awards, the Compensation Committee may grant restricted stock, deferred stock units, or other equity-based awards as performance awards. Generally, performance awards require satisfaction of pre-established performance goals. Performance may be measured over a period of any length specified by the Compensation Committee. Performance goals may be set:

Ø with fixed, quantitative targets;

Ø targets relative to our past performance;

Ø

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targets compared to the performance of other companies, such as a published or special index or a group of companies selected by the Compensation Committee for comparison; or

- Ø strategic business criteria consisting of one or more objectives based on meeting specified market penetration or value added, product development or introduction, geographic business expansion goals, cost targets, debt reduction, customer satisfaction, employee satisfaction, information technology, and goals relating to acquisitions or divestitures of subsidiaries, affiliates or joint ventures.

At the time of grant, the Compensation Committee may specify that these performance measures will be determined before payment of bonuses, capital charges, non-recurring or extraordinary income or expense, or other financial and general and administrative expenses for the performance period.

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### *Adjustments to Shares Reserved, Awards and Award Limits*

Adjustments to the number and kind of shares reserved under the 2012 Restated Incentive Plan and the shares specified in the share-based Annual Limit will be made in the event of a large, special or non-recurring dividend or distribution, recapitalization, stock split, stock dividend, reorganization, business combination, or other similar corporate transaction or event affecting our common stock. Upon occurrence of these events, adjustments will also be made to outstanding awards including the number of shares subject to an award, any exercise price or share price referenced in the award terms (such as the base price of a stock appreciation right) and other terms of the award in order to preserve the intent of the award without enhancing the value of the award.

### *Restriction on Repricing*

The 2012 Restated Incentive Plan includes a restriction providing that, without stockholder approval, we will not amend or replace options previously granted under the 2012 Restated Incentive Plan in a transaction that constitutes a repricing. For this purpose, a repricing means (i) amending the terms of an option after it is granted to lower its exercise price, (ii) any other action that is treated as a repricing under generally accepted accounting principles, or (iii) canceling an option at a time when its strike price is equal to or greater than the fair market value of the underlying stock in exchange for another option, restricted stock, or other equity, unless the cancellation and exchange occurs in connection with a merger, acquisition, spinoff or other similar corporate transaction. Adjustments to the exercise price or number of shares subject to an option to reflect the effects of a stock split, stock dividend or other extraordinary corporate transaction will not constitute a repricing.

### *Administration*

The Compensation Committee will administer the 2012 Restated Incentive Plan, except that our Board may itself act in place of the Compensation Committee to administer the 2012 Restated Incentive Plan, and our Board must make determinations with respect to grants to non-employee directors. Subject to the terms and conditions of the 2012 Restated Incentive Plan, the Compensation Committee is authorized to select participants, determine the type and number of awards to be granted and the number of shares to which awards will relate or the amount of an annual or long-term incentive award, specify times at which awards will be exercisable or settled, including performance conditions that may be required as a condition thereof, set other terms and conditions of such awards, prescribe forms of award agreements, interpret and specify rules and regulations relating to the 2012 Restated Incentive Plan, and make all other determinations which may be necessary or advisable for the administration of the 2012 Restated Incentive Plan. The Compensation Committee is permitted to delegate authority to executive officers for the granting and administration of awards to the extent permitted under Section 157(c) of the Delaware General Corporation Law. Our current policy has been to not delegate such authority. The 2012 Restated Incentive Plan provides that Compensation Committee members shall not be personally liable, and shall be fully indemnified in connection with any action, determination, or interpretation taken or made in good faith under the 2012 Restated Incentive Plan.

### *Other Terms of Awards*

The Compensation Committee is authorized to impose non-competition, non-solicitation, confidentiality, non-disparagement and other requirements as a condition on the participant's right to retain an award or gains realized by exercise or settlement of an award. Awards under the 2012 Restated Incentive Plan may be granted without a requirement that the participant pay consideration in the form of cash or property for the grant (as distinguished from the exercise), except to the extent required by law.

*Vesting, Forfeitures, and Related Award Terms*

The Compensation Committee may, in its discretion, determine the vesting schedule of options and other awards, the circumstances that will result in forfeiture of awards, the post-termination exercise periods of options and similar awards, and the events that will result in acceleration of the ability to exercise and the lapse of restrictions, or the expiration of any deferral period, on any award.

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Except as otherwise waived or agreed to by the Compensation Committee, an award will be forfeited, and gains may have to be repaid to us by a participant, if any of the following occur during the participant's employment by us or within one year after termination: (a) the participant competes with us, induces a customer, supplier, licensee or licensor to curtail business with us or solicits any employee or service provider to terminate employment with or service to us; (b) the participant misuses our confidential information; or (c) the participant fails to reasonably assist us in a legal proceeding.

Upon a change-in-control, as defined in the 2012 Restated Incentive Plan, unless the Compensation Committee provides otherwise in the grant agreement, non-performance awards will become vested and exercisable or fully payable, and restrictions on any restricted stock will lapse, and any option that was not vested and exercisable as of the time of the change-in-control may be surrendered for a cash payment equal to the spread between the exercise price and the price per share paid in the transaction triggering the change-in-control. The Compensation Committee may also specify in any award agreement for performance awards that performance conditions will be deemed met or exceeded upon a change-in-control.

### *Amendment and Termination of the 2012 Restated Incentive Plan*

Our Board may amend, suspend, discontinue, or terminate the 2012 Restated Incentive Plan or the Compensation Committee's authority to grant awards thereunder without stockholder approval, except as required by law or regulation or under the New York Stock Exchange rules. Unless earlier terminated, the 2012 Restated Incentive Plan will terminate at such time that no shares reserved under the 2012 Restated Incentive Plan remain available, and we have no further obligation with respect to any outstanding award.

### **Federal Income Tax Implications Stock Options**

The federal income tax consequences of granting and exercising stock options under the 2012 Restated Incentive Plan are as follows (based on federal tax laws and regulations, as of October 10, 2012):

- Ø The grant of a stock option does not result in federal income tax consequences for the optionee or a deduction for our company.
- Ø An optionee exercising a non-qualified stock option will recognize ordinary income equal to the difference between the fair market value of the stock exercised (on the date of exercise) and the stock option exercise price.

When an optionee recognizes ordinary income on the exercise of a non-qualified stock option, we are generally entitled to a deduction in the same amount. Certain requirements, such as reporting the income to the Internal Revenue Service, must be met for the deduction to be allowable. Also, for our Chairman and Chief Executive Officer and the three other highest compensated officers, other than our Chief Financial Officer, our deduction may be contingent on certain factors such as the grant being made by a committee of outside directors.

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### **Plan Benefits**

Our Board has established a practice of making the annual grants to our non-employee directors and to our executive officers and other key employees under our long-term incentive program in September of each year. In September 2012, however, our Board elected to allocate the limited number of shares available under the Incentive Plan to grant options to our non-executive officer employees who were recently hired or promoted, to grant options to two of our executive officers (Messrs. Edidin and Lochiatto) related to their July 2012 promotions and to grant equity-based performance units to our executive officers and key employees under our long-term incentive program. The restricted stock units and stock options usually granted under our long-term incentive compensation program were not awarded in September 2012. Our Board has indicated, however, that it intends to make the following grants in December 2012 upon approval of the 2012 Restated Incentive Plan by our stockholders, consistent with past practice:

- Ø As part of their annual compensation, usually awarded in September, a grant to the non-employee directors in the form of restricted stock and/or stock options with a date of grant value of approximately \$150,000 each.
  
- Ø The remaining portion of our annual long-term incentive equity grants, usually awarded in September, in the form of stock options and restricted stock units with a date of grant value of approximately \$4.3 million to our executive officers.
  
- Ø The remaining portion of our annual long-term incentive equity grants, usually awarded in September, in the form of stock options and restricted stock units with a date of grant value of approximately \$4.8 million to key employees.

Because other future awards under the 2012 Restated Incentive Plan will be granted at the discretion of the Compensation Committee and our Board, the type, number, recipients, and other terms of such awards cannot be determined at this time.

### **Vote Required for Adoption**

In order for the 2012 Restated Incentive Plan to be approved, this proposal must receive affirmative votes from more than 50 percent of the shares that are present and entitled to vote, provided that at least a majority of our outstanding shares of common stock vote on the proposal. Broker non-votes are not counted as shares voted on this proposal. An abstention has the same effect as a vote AGAINST this proposal.

**OUR BOARD RECOMMENDS THAT YOU VOTE FOR THE ADOPTION OF THE 2012 RESTATED INCENTIVE PLAN.**

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**AUDIT AND ETHICS COMMITTEE REPORT**

The Audit and Ethics Committee of our Board is composed of three independent directors in accordance with the listing standards of the New York Stock Exchange. The Audit and Ethics Committee operates under a written charter adopted by our Board. A copy of the charter is available and can be viewed and downloaded from the Corporate Governance section of the Investor Relations section of our website at <http://ir.wms.com>.

Our management is primarily responsible for our financial statements, the reporting process and our internal accounting controls. Our independent registered public accounting firm, Ernst & Young, is responsible for performing an independent audit of our consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and to issue a report thereon. Our independent registered public accounting firm is responsible for expressing an opinion on the conformity of our audited consolidated financial statements with generally accepted accounting principles in the United States and their judgments as to the quality, not just the acceptability, of our accounting principles. The Audit and Ethics Committee's responsibility is to monitor and oversee these processes.

In keeping with that responsibility, the Audit and Ethics Committee has reviewed and discussed with management and with our independent registered public accounting firm our audited and interim consolidated financial statements, including Management's Discussion and Analysis of Financial Condition and Results of Operations, that have been included in our reports on Form 10-K and Form 10-Q. The Audit and Ethics Committee and the independent registered public accounting firm regularly discuss the results of their audit of our consolidated financial statements, their examination of our internal controls over financial reporting and their opinion of the appropriateness of our accounting principles. In addition, the Audit and Ethics Committee has discussed with our independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU section 380) as adopted by the Public Company Accounting Oversight Board (PCAOB), other standards of the PCAOB, rules of the Securities and Exchange Commission and other applicable regulations.

The Audit and Ethics Committee has received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the PCAOB regarding the independent registered public accounting firm's communications with the Audit and Ethics Committee concerning independence, and has discussed with the independent registered public accounting firm their independence. The Audit and Ethics Committee has also considered whether the provision of non-audit services by the independent registered public accounting firm is consistent with maintaining auditor independence.

Based on the Audit and Ethics Committee's discussions with management and the independent registered public accounting firm and the Audit and Ethics Committee's review of the representations of management and the report of the independent registered public accounting firm, the Audit and Ethics Committee recommended to our Board that the audited consolidated financial statements be included in our Annual Report on Form 10-K for the year ended June 30, 2012 for filing with the Securities and Exchange Commission. The Audit and Ethics Committee and the Board also have recommended, subject to stockholder ratification, the selection of Ernst & Young LLP as our independent registered public accounting firm for fiscal year 2013.

This report is respectfully submitted by the Audit and Ethics Committee of the Board:

Robert J. Bahash (Chair)

Edward W. Rabin, Jr.

William J. Vareschi, Jr.



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**PROPOSAL 3 RATIFICATION OF APPOINTMENT OF  
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We propose that the stockholders ratify the appointment of Ernst & Young as our independent registered public accounting firm for fiscal year 2013 by the Audit and Ethics Committee of our Board. We expect that representatives of Ernst & Young will be present at the Annual Meeting and that they will be available to respond to appropriate questions submitted by stockholders at the meeting. Ernst & Young will have the opportunity to make a statement if they desire to do so.

Ernst & Young served as our independent registered public accounting firm for fiscal years 2011 and 2012 and billed us for services rendered in fiscal years 2011 and 2012 as follows:

*Audit Fees.* The aggregate fees billed by Ernst & Young for professional services rendered for the audit of our annual financial statements for fiscal years 2011 and 2012, including the review of the financial statements included in our Quarterly Reports on Form 10-Q, required audit of internal controls over financial reporting and statutory audits required of the financial statements of certain of our international subsidiaries, were \$1,144,500 and \$1,154,840, respectively.

*Audit-Related Fees.* The aggregate fees for audit-related services for the same periods were \$164,100 and \$155,800, respectively. These audit related services generally included fees for the annual audit of our employee benefit plans, agreed-upon procedures relating to wide area progressive systems and accounting consultations.

*Tax Fees.* The aggregate fees for tax services for the same periods were \$182,405 and \$415,760, respectively. These tax services include fees for domestic and foreign tax advice and planning and tax return preparation or review.

*All Other Fees.* We did not retain Ernst & Young for any other services during fiscal year 2011 and the aggregate fees for other services for fiscal year 2012 were \$137,000.

*Pre-Approval Policies and Procedures.* Our Audit and Ethics Committee has adopted a policy for pre-approving all audit and permitted non-audit services rendered to us by our auditors. All audit services must be approved by the full committee. Under the policy, any permitted non-audit services must be pre-approved by either the full committee or by a designated member of the Audit and Ethics Committee and our internal audit director. If a designated member and our internal audit director approve any non-audit services, the full Committee will be informed of such services at its next regularly scheduled meeting. Our independent registered public accounting firm will verify to our Audit and Ethics Committee annually that they have not performed and will not perform any prohibited non-audit services.

*Percentage of Services Approved under Regulation S-X 2-01(c)(7)(i)(C).* None.

**Vote Required for Ratification**

Ratification by the stockholders of the appointment of an independent registered public accounting firm is not required, but our Board believes that it is desirable to submit this matter to the stockholders. If holders of a majority of our common stock present in person or by proxy do not ratify the selection of Ernst & Young at the meeting, the selection of the independent registered public accounting firm will be reconsidered by the Audit and Ethics Committee. An abstention has the same effect as a vote AGAINST this proposal.

**OUR BOARD RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.**

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**PROPOSAL 4 ADVISORY RESOLUTION ON EXECUTIVE COMPENSATION**

In accordance with Section 14A of the Securities Exchange Act of 1934, we are asking stockholders to approve the following advisory resolution at the 2012 Annual Meeting of Stockholders:

RESOLVED, that the compensation of our named executive officers, as disclosed in this Proxy Statement pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED.

Our Board recommends a vote FOR this resolution because it believes that the compensation program described in this Proxy Statement is effective in achieving our goals of rewarding sustained financial and operating performance and leadership excellence, aligning our executive officers' long-term interests with those of our stockholders and motivating our executive officers to remain with our company for long and productive careers. The value of the named executive officer compensation actually realized over the past two years reflects amounts of cash and equity consistent with periods of economic stress and lower earnings, and equity incentives aligning with our actions to stabilize our company and to position it for a continued recovery.

We urge stockholders to read the Compensation Discussion and Analysis beginning on page 24 of this Proxy Statement, as well as the Summary Compensation Table and related compensation tables and narrative, beginning on page 46, which provide detailed information on our compensation policies and practices and the compensation of our named executive officers.

This advisory resolution, commonly referred to as a "say-on-pay" resolution, is non-binding on our Board. Although non-binding, the Board highly values the opinion of our stockholders. Accordingly, our Board will review and consider the voting results when evaluating our executive compensation program. It is our present intention to present these "say-on-pay" advisory proposals for our stockholders' consideration each year.

**OUR BOARD RECOMMENDS A VOTE FOR APPROVAL OF THE ADVISORY RESOLUTION ON EXECUTIVE COMPENSATION.**

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**OTHER MATTERS**

**Stockholder Proposals**

As of the date of this Proxy Statement the Board has not received notice of any stockholder proposals and does not intend to propose any other matters for stockholder action. However, if any other matters are properly brought before the meeting, it is intended that the persons voting the accompanying proxy will vote the shares represented by the proxy in accordance with their best judgment. See "When are Stockholder Proposals due for the 2013 Annual Meeting" on page 5 of this Proxy Statement.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires our officers and directors, and persons who beneficially own more than ten percent of a registered class of our equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. These persons are required by regulation to furnish us with copies of all Section 16(a) reports that they file. Based on our review of copies of these reports that we have received and representations from reporting persons, we believe that during fiscal year 2012 our officers and directors complied with all of their Section 16(a) filing requirements. Based on our review of copies of the filed reports, we did not have any ten percent beneficial owners during fiscal year 2012.

**It is important that you return the accompanying proxy card promptly. Therefore, whether or not you plan to attend the meeting in person, you are requested to mark, date, sign and return your proxy in the enclosed postpaid envelope. You may revoke the proxy at any time before it is exercised. If you attend the meeting in person, you may withdraw the proxy and vote your own shares.**

By Order of the Board,

Kathleen J. McJohn

Senior Vice President, General Counsel

and Secretary

Waukegan, Illinois

October 12, 2012

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*Annex A*

**WMS Industries Inc.**  
**Amended and Restated Incentive Plan**  
**(2012 Restatement)**

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**WMS INDUSTRIES INC.**

**INCENTIVE PLAN**

**(2012 RESTATEMENT)**

1. ***Establishment and Effective Date.*** Effective December 9, 2004, WMS Industries Inc., a Delaware corporation (the *Company*) established the WMS Industries Inc. Incentive Plan (the *Plan*). The Plan was subsequently amended and restated with the approval of the *Company*'s stockholders effective December 14, 2006 and again effective December 10, 2009. The Plan is hereby further amended and restated, subject to the approval of the *Company*'s stockholders, on December 6, 2012, to be effective at the time set forth in Section 12(p) (*2012 Restatement*).

2. ***Purpose.*** The purpose of this Plan is to aid the *Company* in attracting, retaining, motivating and rewarding employees, non-employee directors and key consultants to the *Company* or its subsidiaries, to provide for equitable and competitive compensation opportunities, to recognize individual contributions and reward achievement of *Company* goals, and promote the creation of long-term value for stockholders by closely aligning the interests of Participants with those of stockholders. The Plan authorizes equity-based and cash-based incentives for Participants.

3. ***Definitions.*** In addition to the terms defined above and elsewhere in the Plan, the following capitalized terms used in the Plan have the respective meanings set forth in this Section:

(a) **Annual Incentive Award** means a type of Performance Award granted to a Participant under Section 8(c) representing a conditional right to receive cash, Stock or other Awards or payments, as determined by the Committee, based on performance in a performance period of one fiscal year or a portion thereof.

(b) **Award** means any Option, SAR, Restricted Stock, Deferred Stock Unit, Stock granted as a bonus, Performance Award, Other Stock-Based Award or Annual Incentive Award, together with any related right or interest, granted to a Participant under the Plan.

(c) **Beneficiary** means the legal representatives of the Participant's estate entitled by will or the laws of descent and distribution to receive the benefits under a Participant's Award upon a Participant's death, provided that, if and to the extent authorized by the Committee, a Participant may be permitted to designate a Beneficiary, in which case the Beneficiary instead will be the person, persons, trust or trusts (if any are then surviving) which have been designated by the Participant in his or her most recent written beneficiary designation filed with the *Company* to receive the benefits specified under the Participant's Award upon such Participant's death.

(d) **Board** means the *Company*'s Board of Directors.

(e) **Change in Control** and related terms have the meanings specified in Section 10.

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- (f) Code means the Internal Revenue Code of 1986, as amended, and proposed and final Treasury Department regulations issued thereunder.
- (g) Committee means the Compensation Committee of the Board, the composition and governance of which complies with Section 303A.05 of the Listed Company Manual of the New York Stock Exchange (as applicable), and/or other corporate governance documents of the Company. No action of the Committee shall be void or deemed to be without authority due to the failure of any member, at the time the action was taken, to meet any qualification standard set forth in this Plan. The full Board may perform any function of the Committee hereunder, in which case the term Committee shall refer to the Board.
- (h) Covered Employee means an Eligible Person who is a covered employee under the provisions of Code Section 162(m) and pursuant to the guidance provided in IRS Notice 2007-49.
- (i) Deferred Stock Unit means a deferred stock unit granted to a Participant under Section 7(e).

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- (j) Effective Date means the effective date specified in Section 12(p).
- (k) Eligible Person has the meaning specified in Section 6(a).
- (l) Exchange Act means the Securities Exchange Act of 1934, as amended. References to any provision of the Exchange Act or rule (including a proposed rule) thereunder shall include any successor provisions and rules.
- (m) Fair Market Value means:
- (i) The closing sale price per share of Stock on the principal stock exchange or market on which Stock is traded on the date as of which such value is being determined or, if there is no sale on the principal stock exchange or market that day, then on the last previous day on which a sale on the principal stock exchange or market was reported; or
- (ii) Such other method of determining fair market value as shall be permissible under the Code, or the rules and regulations thereunder, and adopted by the Committee.
- (n) Option means a right, granted to a Participant under Section 7(b), to purchase Stock at a specified price during specified time periods and that does not qualify as an incentive stock option within the meaning of Code Section 422(b).
- (o) Other Stock-Based Awards means Awards granted to a Participant under Section 7(h).
- (p) Participant means a person who has been granted an Award under the Plan which remains outstanding, including a person who is no longer an Eligible Person.
- (q) Performance Award means a conditional right, granted to a Participant under Sections 7(g) and 8, to receive cash, Stock or other Awards or payments, as determined by the Committee, based upon performance criteria specified by the Committee.
- (r) Preexisting Plans means the Company's 2002 Stock Option Plan, 2000 Stock Options Plan, 2000 Non-Qualified Stock Option Plan, and 1998 Non-Qualified Stock Option Plan.
- (s) Qualified Member means a member of the Committee who is a Non-Employee Director within the meaning of Rule 16b-3(b)(3) and an outside director within the meaning of Treasury Regulation 1.162-27 under Code Section 162(m).

(t) Related Corporation means any corporation or other entity in which the Company holds, directly or indirectly, a controlling interest. For purposes of the preceding sentence, the term controlling interest shall have the same meaning as provided in Treas. Reg. §1.414(c)-2(b)(2)(i), using at least 50 percent instead of at least 80 percent each place it appears in such regulation.

(u) Restricted Stock means Stock granted to a Participant under Section 7(d) which is subject to certain restrictions and to a risk of forfeiture.

(v) Rule 16b-3 means Rule 16b-3, as from time to time in effect and applicable to Participants, promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act.

(w) Short Term Deferral Period means, with respect to an amount (including Stock) payable pursuant to an Award, the period ending on the later of (1) the 15th day of the third month following the Participant's first taxable year in which the amount is no longer subject to a substantial risk of forfeiture, or (2) the 15th day of the third month following the Company's first taxable year in which the amount is no longer subject to a substantial risk of forfeiture; provided, however, that such period (measured from the last day of the period) shall be within one calendar year and shall not exceed 2 1/2 months. A Participant shall have no discretion over the payment date and shall have no right to interest as a result of payment on a date other than the first day of the Short-Term Deferral Period.

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(x) Stock means the Company's Common Stock, and any other equity securities of the Company that may be substituted or resubstituted for Stock pursuant to Section 12(c).

(y) Stock Appreciation Rights or SAR means a right granted to a Participant under Section 7(c).

(z) Termination of Service means (1) with respect to an Award granted to an employee, the termination of the employment relationship between the employee and the Company and all Related Corporations; (2) with respect to an Award granted to a consultant, the termination of the consulting or advisory arrangement between the consultant and the Company and all Related Corporations; and (3) with respect to an Award granted to a non-employee director, the cessation of the provision of services as a director of the Company and all Related Corporations. A Termination of Service shall not be deemed to have resulted by reason of a bona fide leave of absence approved by the Company. Notwithstanding the foregoing: (A) if the Participant's status changes from employee, consultant or non-employee director to any other status eligible to receive an Award under the Plan, no Termination of Service shall occur for purposes of the Plan until the Participant's new status with the Company and all Related Corporations terminates; (B) with respect to a Deferred Stock Unit that is subject to Code §409A, Termination of Service shall mean separation from service as defined in Treas. Reg. §1.409A-1(h); and (C) if a Participant's relationship is with a Related Corporation and not the Company, the Participant shall incur a Termination of Service when such corporation ceases to be a Related Corporation, except as otherwise determined by the Committee, or as otherwise necessary to comply with Code §409A (to the extent applicable).

**4. Administration.**

(a) Authority of the Committee. The Plan shall be administered by the Committee, which shall have full and final authority, in each case subject to and consistent with the provisions of the Plan, to select Eligible Persons to become Participants; to grant Awards; to determine the type and number of Awards, the dates on which Awards may be exercised and on which the risk of forfeiture or deferral period relating to Awards shall lapse or terminate, the acceleration of any such dates, the expiration date of any Award, whether, to what extent, and under what circumstances an Award may be settled, or the exercise price of an Award may be paid, in cash, Stock, other Awards, or other property, and other terms and conditions of, and all other matters relating to Awards; to prescribe documents evidencing or setting terms of Awards (such Award documents need not be identical for each Participant), amendments thereto, and rules and regulations for the administration of the Plan and amendments thereto; to construe and interpret the Plan and Award documents and correct defects, supply omissions or reconcile inconsistencies therein; and to make all other decisions and determinations as the Committee may deem necessary or advisable for the administration of the Plan; provided, however, that the Committee shall submit any equity awards granted to members of the Executive Committee of the Company or any of its subsidiaries to the Board for ratification. Decisions of the Committee with respect to the administration and interpretation of the Plan shall be final, conclusive, and binding upon all persons interested in the Plan, including Participants, Beneficiaries, transferees under Section 12(b) and other persons claiming rights from or through a Participant, and stockholders. The foregoing notwithstanding, the Board shall perform the functions of the Committee for purposes of granting Awards under the Plan to non-employee directors (authority with respect to other aspects of non-employee director awards is not exclusive to the Board, however); provided however, any employee director shall abstain from voting on any grant made to non-employee directors.

(b) Manner of Exercise of Committee Authority. At any time that a member of the Committee is not a Qualified Member, any action of the Committee relating to an Award intended by the Committee to qualify as performance-based compensation within the meaning of Code Section 162(m) and regulations thereunder or intended to be covered by an exemption under Rule 16b-3 under the Exchange Act may be taken by a subcommittee, designated by the Committee or the Board, composed solely of two or more Qualified Members or may be taken by the Committee but with each such member who is not a Qualified Member abstaining or recusing himself or herself from such action, provided that, upon such abstention or recusal, the Committee remains composed of two or more Qualified Members. Such action, authorized by such a subcommittee or by the Committee upon the abstention or recusal of such non-Qualified Member(s), shall be the action of the Committee for purposes of the Plan. The express grant of any specific power to the Committee, and the taking of any action



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by the Committee, shall not be construed as limiting any power or authority of the Committee. To the fullest extent authorized under Section 157(c) and other applicable provisions of the Delaware General Corporation Law, the Committee may delegate to officers or managers of the Company or any subsidiary, or committees thereof, the authority, subject to such terms as the Committee shall determine, to perform such functions, including administrative functions, as the Committee may determine, to the extent that such delegation will not cause Awards intended to qualify as performance-based compensation under Code Section 162(m) to fail to so qualify.

(c) **Limitation of Liability.** The Committee and each member thereof, and any person acting pursuant to authority delegated by the Committee, shall be entitled, in good faith, to rely or act upon any report or other information furnished by any executive officer, other officer or employee of the Company or a subsidiary, the Company's independent auditors, consultants, legal counsel or any other agents assisting in the administration of the Plan. Members of the Committee, any person acting pursuant to authority delegated by the Committee, and any officer or employee of the Company or a subsidiary acting at the direction or on behalf of the Committee or a delegee shall not be personally liable for any action or determination taken or made in good faith with respect to the Plan, and shall, to the extent permitted by law, be fully indemnified and protected by the Company with respect to any such action or determination.

***5. Stock Subject to Plan.***

(a) **Overall Number of Shares Available for Delivery.** Subject to adjustment as provided in Section 12(c), the total number of shares of Stock reserved and available for delivery in connection with Awards under the Plan shall be the sum of (i) 5,700,000 new shares approved on December 6, 2012, (ii) 3,800,000 new shares approved on December 10, 2009, (iii) 3,750,000 new shares approved on December 14, 2006, (iv) 3,479,559 new shares approved with first adoption of the Plan on December 9, 2004, (v) the number of shares remaining under the Preexisting Plans which are not the subject of outstanding Awards as of the Effective Date, and (vi) the number of shares subject to outstanding Awards under any Preexisting Plan as of the Effective Date which become available in accordance with Section 5(b) after the Effective Date.

Awards that may be granted to non-employee directors are subject to aggregate limitations under Section 6(c). Any shares of Stock delivered under the Plan shall consist of authorized and unissued shares or treasury shares. Subject to the adjustment provisions of Section 12(c), the Company shall not amend this Plan to increase the number of shares available for issuance under the Plan without such amendment being subject to receipt of stockholder approval.

(b) **Share Counting Rules.** The Committee may adopt reasonable counting procedures to ensure appropriate counting, avoid double counting (as, for example, in the case of tandem or substitute awards) and make adjustments if the number of shares of Stock actually delivered differs from the number of shares previously counted in connection with an Award.

With regard to any shares granted pursuant to full-value Awards after stockholder approval of the 2012 Restatement, each such share shall reduce the shares available by 1.8 shares. The term "full-value Awards" means Awards other than Options, SARs, or Awards for which the Participant pays the intrinsic value directly or by forgoing a right to receive a cash payment from the Company.

Shares that are potentially deliverable under an Award under the Plan or an award under any Preexisting Plan that are canceled, expired, forfeited, settled in cash or otherwise terminated without a delivery of such shares to the Participant will not be counted as delivered under the Plan or such Preexisting Plan and shall be available for Awards under this Plan. Shares that have been issued in connection with an Award under this Plan (e.g., Restricted Stock) or Preexisting Plan award that is canceled, forfeited, or settled in cash such that those shares are returned to the Company shall be available for Awards under this Plan. Notwithstanding the preceding sentence, after stockholder approval of the 2012 Restatement, each share made available for Awards under this provision in connection with the cancellation, forfeiture or cash settlement of

full-value Awards shall increase the

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shares available for grant by 1.8shares. However, shares withheld in payment of the exercise price or taxes relating to an Award or Preexisting Plan award and shares equal to the number surrendered in payment of any exercise price or taxes relating to an Award or Preexisting Plan award shall be deemed to constitute shares delivered to the Participant and shall not be available for reissue as Awards under this Plan.

Because shares will count against the number reserved in Section 5(a) upon delivery, and subject to the share counting rules under this Section 5(b), the Committee may determine that Awards may be outstanding that relate to a greater number of shares than the aggregate remaining available under the Plan, so long as Awards will not result in delivery and vesting of shares in excess of the number then available under the Plan.

***6. Eligibility and Certain Award Limitations.***

(a) **Eligibility.** Awards may be granted under the Plan only to Eligible Persons. For purposes of the Plan, an Eligible Person means an employee of the Company or any subsidiary, a non-employee director or key consultant to the Company, or a subsidiary, and any person who has been offered employment by the Company or a subsidiary, provided that such prospective employee may not receive any payment or exercise any right relating to an Award until such person has commenced employment with the Company or a subsidiary.

(b) **Per-Person Award Limitations.** In each calendar year during any part of which the Plan is in effect, an Eligible Person may be granted Awards intended to qualify as performance-based compensation under Code Section 162(m) under each of Section 7(b), 7(c), 7(d), 7(e), 7(f), 7(g) or 7(h) relating to up to his or her Annual Limit (such Annual Limit to apply separately to the type of Award authorized under each specified subsection). Subject to Section 5(a), a Participant's Annual Limit, in any year during any part of which the Participant is then eligible under the Plan, shall equal 750,000 shares plus the amount of the Participant's unused Annual Limit relating to the same type of Award as of the close of the previous year, subject to adjustment as provided in Section 12(c) (Annual Limit). In the case of an Award which is not valued in a way in which the limitation set forth in the preceding sentence would operate as an effective limitation satisfying Treasury Regulation 1.162-27(e)(4) (including a Performance Award under Section 8 not related to an Award specified in Section 7), an Eligible Person may not be granted Awards authorizing the earning during any calendar year of an amount that exceeds the Participant's Annual Limit, which for this purpose shall equal \$3,000,000 plus the amount of the Participant's unused cash Annual Limit as of the close of the previous year (this limitation is separate and not affected by the number of Awards granted during such calendar year subject to the limitation in the preceding sentence). For this purpose, (i) earning means satisfying performance conditions so that an amount becomes payable, without regard to whether it is to be paid currently or on a deferred basis or continues to be subject to any service requirement or other non-performance condition, and (ii) a Participant's Annual Limit is used to the extent an amount or number of shares may be potentially earned or paid under an Award, regardless of whether such amount or shares are in fact earned or paid.

(c) **Limits on Non-Employee Director Awards.** Non-employee directors may be granted any type of Award under the Plan, but the aggregate number of shares that may be delivered in connection with Awards granted to non-employee directors shall be forty percent (40%) of the total reserved under the Plan, and in each calendar year during any part of which the Plan is in effect, a non-employee director may be granted Awards relating to no more than 750,000 shares, subject to adjustment as provided in Section 12(c).

(d) **Recoupment Policy.** Notwithstanding any provision of the Plan to the contrary, an Eligible Person's right to receive or retain an Award, to retain any amount received pursuant to an Award (in cash or Stock) and, in the case of Stock received pursuant to an Award, to retain any profit or gain realized by the Eligible Person in connection with such an Award, shall be subject to any recoupment or clawback policy adopted by the Company.

*7. Specific Terms of Awards.*

(a) General. Awards may be granted on the terms and conditions set forth in this Section 7. In addition, the Committee may impose on any Award or the exercise thereof, at the date of grant or thereafter (subject to

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Section 12(e)), such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine, including terms requiring forfeiture of Awards in the event of Termination of Service by the Participant, terms in the event of a Change in Control and terms permitting a Participant to make elections relating to his or her Award. The Committee shall retain full power and discretion with respect to any term or condition of an Award that is not mandatory under the Plan. The Committee shall require the payment of lawful consideration for an Award to the extent necessary to satisfy the requirements of the Delaware General Corporation Law, and may otherwise require payment of consideration for an Award except as limited by the Plan.

(b) **Options.** The Committee is authorized to grant Options to Participants on the following terms and conditions:

(i) *Exercise Price.* The exercise price per share of Stock purchasable under an Option shall be determined by the Committee, provided that such exercise price shall be not less than the Fair Market Value of a share of Stock on the date of grant of such Option.

(ii) *Option Term; Time and Method of Exercise.* The Committee shall determine the term of each Option, provided that in no event shall the term of any Option or SAR issued in tandem therewith exceed seven years. The Committee shall determine the time or times at which or the circumstances under which an Option may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the methods by which such exercise price may be paid or deemed to be paid and the form of such payment (subject to Section 12(k)), including, without limitation, cash, Stock (including through withholding of Stock deliverable upon exercise, if such withholding will not result in the recognition of additional accounting expense to the Company), other Awards or awards granted under other plans of the Company or any subsidiary, or other property (including through cashless exercise arrangements, to the extent permitted by applicable law), and the methods by or forms in which Stock will be delivered or deemed to be delivered in satisfaction of Options to Participants.

(c) **Stock Appreciation Rights.** The Committee is authorized to grant SARs to Participants on the following terms and conditions:

(i) *Right to Payment.* A SAR shall confer on the Participant to whom it is granted a right to receive, upon exercise thereof, the excess of (A) the Fair Market Value of one share of Stock on the date of exercise (or, in the case of a Limited SAR, the Fair Market Value determined by reference to the Change in Control Price, as defined under Section 10(d) hereof) over (B) the grant price of the SAR as determined by the Committee, which grant price shall be not less than the Fair Market Value of a share of Stock on the date of grant of such SAR.

(ii) *Other Terms.* The Committee shall determine at the date of grant or thereafter, the time or times at which and the circumstances under which a SAR may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the method of exercise, method of settlement, form of consideration payable in settlement, method by or forms in which Stock will be delivered or deemed to be delivered to Participants, whether or not a SAR shall be free-standing or in tandem or combination with an Option, and the maximum term of a SAR, which in no event shall exceed a period of seven years from the date of grant. Limited SARs that may only be exercised in connection with a Change in Control or other event as specified by the Committee may be granted on such terms, not inconsistent with this Section 7(c), as the Committee may determine.

(d) **Restricted Stock.** The Committee is authorized to grant Restricted Stock to Participants on the following terms and conditions:

(i) *Grant and Restrictions.* Restricted Stock shall be subject to such restrictions on transferability, risk of forfeiture and other restrictions, if any, as the Committee may impose, which restrictions may lapse separately or in combination at such times, under such circumstances

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(including based on achievement of performance goals and/or future service requirements), in such installments or otherwise and under such

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other circumstances as the Committee may determine at the date of grant or thereafter. Except to the extent restricted under the terms of the Plan and any Award document relating to the Restricted Stock, a Participant granted Restricted Stock shall have all of the rights of a stockholder, including the right to vote the Restricted Stock and the right to receive dividends thereon (subject to any mandatory reinvestment or other requirement imposed by the Committee).

(ii) *Forfeiture.* Except as otherwise determined by the Committee, upon Termination of Service during the applicable restriction period, Restricted Stock that is at that time subject to restrictions shall be forfeited and reacquired by the Company; provided that the Committee may provide, by rule or regulation or in any Award document, or may determine in any individual case, that restrictions or forfeiture conditions relating to Restricted Stock will lapse in whole or in part, including in the event of terminations resulting from specified causes.

(iii) *Certificates for Stock.* Restricted Stock granted under the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Stock are registered in the name of the Participant, the Committee may require that such certificates bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Restricted Stock, that the Company retain physical possession of the certificates, and that the Participant deliver a stock power to the Company, endorsed in blank, relating to the Restricted Stock.

(e) Deferred Stock Units. The Committee is authorized to grant Deferred Stock Units to Participants. A Deferred Stock Unit entitles the Participant to receive, with respect to each Deferred Stock Unit that vests in accordance with paragraph (i), one share of Stock, or cash equal to Fair Market Value of a share of Stock on the date of vesting, or a combination thereof as determined by the Committee and set forth in the Award agreement. Any fractional Deferred Stock Unit shall be paid in cash.

(i) *Vesting.*

(1) Deferred Stock Units other than Performance-Based Deferred Stock Units. With respect to Deferred Stock Units that are not Performance-Based Deferred Stock Units, the Committee shall determine when such units shall vest and any conditions (such as continued employment or performance measures) that must be met in order for such units to vest at the end of the applicable restriction period. The Committee may at any time accelerate the time at which Deferred Stock Units (other than Performance-Based Deferred Stock Units) shall vest.

(2) Performance-Based Deferred Stock Units. Performance-Based Deferred Stock Units shall vest at the end of the applicable performance period, if and to the extent the performance goals (established in accordance with Section 8) have been achieved for such period. The Committee shall certify the extent to which the performance goals are achieved and shall have the discretion to decrease (but not increase) the extent to which Performance-Based Deferred Stock Units vest on account of such achievement. Performance-Based Deferred Stock Units shall also vest (A) as provided in Section 10, or (B) if and to the extent determined by the Committee in the case of the Participant's death or disability.

(ii) *Payment.* Except as otherwise provided in the Award Agreement, upon the vesting of a Deferred Stock Unit in accordance with subsection (i) or Section 10, payment, in Stock or cash (as applicable), shall be made in the Short-Term Deferral Period; provided, however, that a Change in Control (as defined in Section 10) shall not accelerate the payment date of a Deferred Stock Unit that is subject to Code Section 409A unless such Change in Control is also a change in control event as defined in regulations under Code Section 409A.

(iii) *Forfeitures.* Except as otherwise determined by the Committee, upon Termination of Service during the applicable deferral period or portion thereof to which forfeiture conditions apply (as provided in the Award document evidencing the Deferred Stock Unit), all Deferred

Stock Units that are at that time subject to such forfeiture conditions shall be forfeited.

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(f) **Bonus Stock.** The Committee is authorized to grant Stock as a bonus subject to such terms as shall be determined by the Committee; provided, however, that such bonus shall either be limited to (i) a de minimus amount of not more than five percent (5%) of the shares subject to the Plan or to (ii) Awards made in lieu of cash bonuses under the Company's or a subsidiary's bonus plan on no more than a dollar-for-dollar basis.

(g) **Performance Awards.** Performance Awards, denominated in cash or in Stock or other Awards, may be granted by the Committee in accordance with Section 8.

(h) **Other Stock-Based Awards.** The Committee is authorized, subject to limitations under applicable law, to grant to Participants such other Awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Stock or factors that may influence the value of Stock, including, without limitation, convertible or exchangeable debt securities, other rights convertible or exchangeable into Stock, purchase rights for Stock, Awards with value and payment contingent upon performance of the Company or business units thereof or any other factors designated by the Committee, and Awards valued by reference to the book value of Stock or the value of securities of or the performance of specified subsidiaries or other business units. The Committee shall determine the terms and conditions of such Awards. Stock delivered pursuant to an Award in the nature of a purchase right granted under this Section 7(h) shall be purchased for such consideration, paid for at such times, by such methods, and in such forms, including, without limitation, cash, Stock, other Awards, notes, or other property, as the Committee shall determine. Cash awards, as an element of or supplement to any other Award under the Plan, may also be granted pursuant to this Section 7(h).

### ***8. Performance Awards, Including Annual Incentive Awards.***

(a) **Performance Awards Generally.** The Committee is authorized to grant any of the awards described in Sections 7(d), (e), (f), (g) and (h) as Performance Awards, the terms and conditions of which are described in this Section 8. Performance Awards may be denominated as a cash amount, number of shares of Stock, or specified number of other Awards (or a combination) which may be earned upon achievement or satisfaction of performance conditions specified by the Committee. In addition, the Committee may specify that any other Award shall constitute a Performance Award by conditioning the right of a Participant to exercise the Award or have it settled, and the timing thereof, upon achievement or satisfaction of such performance conditions as may be specified by the Committee. The Committee may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions, and may exercise its discretion to reduce or increase the amounts payable under any Award subject to performance conditions, except as limited under Sections 8(b) and 8(c) in the case of a Performance Award intended to qualify as performance-based compensation under Code Section 162(m).

(b) **Performance Awards Granted to Covered Employees.** If the Committee determines that a Performance Award to be granted to an Eligible Person who is designated by the Committee as likely to be a Covered Employee should constitute qualified performance-based compensation for purposes of Code Section 162(m), the grant, exercise and/or settlement of such Performance Award shall be contingent upon achievement of a preestablished performance goal and other terms set forth in this Section 8(b).

(i) **Performance Goal Generally.** The performance goal for such Performance Awards shall consist of one or more business criteria and a targeted level or levels of performance with respect to each of such criteria, as specified by the Committee consistent with this Section 8(b). The performance goal shall be objective and shall otherwise meet the requirements of Code Section 162(m) and regulations thereunder (including Regulation 1.162-27 and successor regulations thereto), including the requirement that the level or levels of performance targeted by the Committee result in the achievement of performance goals being substantially uncertain. The Committee may determine that such Performance Awards shall be granted, exercised and/or settled upon achievement of any one performance goal or that two or more of the performance goals must be achieved as a condition to grant, exercise and/or settlement of such Performance Awards. Performance goals may differ for Performance Awards granted to any one Participant or to different Participants.



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(ii) *Business Criteria.* One or more of the following business criteria for the Company, on a consolidated basis, and/or for specified subsidiaries or affiliates or other business units of the Company, shall be used by the Committee in establishing performance goals for such Performance Awards: (1) revenues; (2) earnings from operations, earnings before or after taxes, earnings before or after interest, depreciation, amortization, incentives, service fees or extraordinary or special items; (3) net income or net income per common share (basic or diluted); (4) return on assets, return on net assets, return on investment, return on capital, or return on equity; (5) cash flow, free cash flow, cash flow return on investment, or net cash provided by operations; (6) economic value created or added; (7) operating margin or profit margin; (8) stock price, dividends or total stockholder return; and (9) strategic business criteria, consisting of one or more objectives based on meeting specified market penetration or value added, product development or introduction, geographic business expansion goals, cost targets, debt reduction, customer satisfaction, employee satisfaction, information technology, and goals relating to acquisitions or divestitures of subsidiaries, affiliates or joint ventures. The targeted level or levels of performance with respect to such business criteria may be established at such levels and in such terms as the Committee may determine, in its discretion, including in absolute terms, as a goal relative to performance in prior periods, or as a goal compared to the performance of one or more comparable companies or an index covering multiple companies.

(iii) *Performance Period; Timing for Establishing Performance Goals.* Achievement of performance goals in respect of such Performance Awards shall be measured over a performance period of up to one year or more than one year, as specified by the Committee. A performance goal shall be established not later than the earlier of (A) 90 days after the beginning of any performance period applicable to such Performance Award or (B) the time 25% of such performance period has elapsed.

(iv) *Performance Award Pool.* The Committee may establish a Performance Award pool, which shall be an unfunded pool, for purposes of measuring performance of the Company in connection with Performance Awards. The amount of such Performance Award pool shall be based upon the achievement of a performance goal or goals based on one or more of the business criteria set forth in Section 8(b)(ii) during the given performance period, as specified by the Committee in accordance with Section 8(b)(iii). The Committee may specify the amount of the Performance Award pool as a percentage of any of such business criteria, a percentage thereof in excess of a threshold amount, or as another amount which need not bear a strictly mathematical relationship to such business criteria.

(v) *Settlement of Performance Awards; Other Terms.* Settlement of such Performance Awards shall be in cash, Stock, or other property, in the discretion of the Committee. The Committee may, in its discretion, increase or reduce the amount of a settlement otherwise to be made in connection with such Performance Awards, but may not exercise discretion to increase any such amount payable to a Covered Employee in respect of a Performance Award subject to this Section 8(b). Any settlement which changes the form of payment from that originally specified shall be implemented in a manner such that the Performance Award and other related Awards do not, solely for that reason, fail to qualify as performance-based compensation for purposes of Code Section 162(m). The Committee shall specify the circumstances in which such Performance Awards shall be paid or forfeited in the event of Termination of Service by the Participant or other event (including a Change in Control) prior to the end of a performance period or settlement of such Performance Awards; provided; however, that notwithstanding any provision of the Plan to the contrary, no Performance Award granted to a Covered Employee that is intended to constitute qualified performance-based compensation for purposes of Code Section 162(m) may be paid in the event of Termination of Service prior to the end of the applicable performance period unless the performance goals have been satisfied, except in the case of death, disability or a Change in Control.

(vi) *Dividend and Dividend Equivalents.* Dividends and dividend equivalents payable with respect to Performance Awards of Restricted Stock and Deferred Stock Units shall not be treated as performance-based compensation for purposes of Code Section 162(m) unless such dividends and dividend equivalents separately satisfy requirements similar to those set forth in subsections (i) through (v) above for Performance Awards.

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(c) **Annual Incentive Awards Granted to Designated Covered Employees.** The Committee may grant an Annual Incentive Award to an Eligible Person who is designated by the Committee as likely to be a Covered Employee. Such Annual Incentive Award will be intended to qualify as performance-based compensation for purposes of Code Section 162(m), and therefore its grant, exercise and/or settlement shall be contingent upon achievement of preestablished performance goals and other terms set forth in this Section 8(c).

(i) ***Grant of Annual Incentive Awards.*** Not later than the earlier of 90 days after the beginning of any performance period applicable to such Annual Incentive Award or the time 25% of such performance period has elapsed, the Committee shall determine the Covered Employees who will potentially receive Annual Incentive Awards, and the amount(s) potentially payable thereunder, for that performance period. The amount(s) potentially payable shall be based upon the achievement of a performance goal or goals based on one or more of the business criteria set forth in Section 8(b)(ii) in the given performance period, as specified by the Committee. The Committee may designate an annual incentive award pool as the means by which Annual Incentive Awards will be measured, which pool shall conform to the provisions of Section 8(b)(iv). In such case, the portion of the Annual Incentive Award pool potentially payable to each Covered Employee shall be preestablished by the Committee. In all cases, the maximum Annual Incentive Award of any Participant shall be subject to the limitation set forth in Section 6.

(ii) ***Payout of Annual Incentive Awards.*** After the end of each performance period, the Committee shall determine the amount, if any, of the Annual Incentive Award for that performance period payable to each Participant. The Committee may, in its discretion, determine that the amount payable to any Participant as a final Annual Incentive Award shall be reduced from the amount of his or her potential Annual Incentive Award, including a determination to make no final Award whatsoever, but may not exercise discretion to increase any such amount. The Committee shall specify the circumstances in which an Annual Incentive Award shall be paid or forfeited in the event of Termination of Service by the Participant or other event (including a Change in Control) prior to the end of a performance period or settlement of such Annual Incentive Award; provided, however, that no Annual Incentive Award granted to a Covered Employee that is intended to constitute qualified performance-based compensation for purposes of Code Section 162(m) may be paid in the event of Termination of Service prior to the end of the applicable performance period unless the performance goals have been satisfied, except in the case of death, disability or a Change in Control.

(d) **Written Determinations.** Determinations by the Committee as to the establishment of performance goals, the amount potentially payable in respect of Performance Awards and Annual Incentive Awards, the level of actual achievement of the specified performance goals relating to Performance Awards and Annual Incentive Awards, and the amount of any final Performance Award and Annual Incentive Award shall be recorded in writing in the case of Performance Awards intended to qualify under Section 162(m). Specifically, the Committee shall certify in writing, in a manner conforming to applicable regulations under Section 162(m), prior to settlement of each such Award granted to a Covered Employee, that the performance objective relating to the Performance Award and other material terms of the Award upon which settlement of the Award was conditioned have been satisfied.

***9. Certain Provisions Applicable to Awards.***

(a) ***Stand-Alone, Additional, Tandem, and Substitute Awards.*** Options and SARs granted under the Plan may, in the discretion of the Committee, be granted either alone or in addition to or in tandem with the other, and any Award granted under the Plan may, in the discretion of the Committee, be granted in substitution or exchange for any other Award or any award granted under another plan of the Company, any subsidiary, or any business entity to be acquired by the Company or a subsidiary, or any other right of a Participant to receive payment from the Company or any subsidiary, provided that such substitution or exchange does not cause the recipient to become subject to excise taxes under Code Section 409A. Options and SARs granted in addition to or in tandem with the other may be granted either as of the same time as or a different time from the grant of such other Award, except to the extent that grants at different times would cause the recipient of the Option or SAR to become subject to excise taxes under Code Section 409A.



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(b) Term of Awards. The term of each Award shall be for such period as may be determined by the Committee, subject to the express limitations set forth in Section 7(b)(ii).

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(c) **Form and Timing of Payment under Awards: Deferrals.** Subject to the terms of the Plan (including Section 12(k)) and any applicable Award document, payments to be made by the Company or a subsidiary upon the exercise of an Option or other Award or settlement of an Award may be made in such forms as the Committee shall determine, including, without limitation, cash, Stock, or other property. The settlement of any Award may be accelerated, and cash paid in lieu of Stock in connection with such settlement, in the discretion of the Committee or upon occurrence of one or more specified events (subject to Section 12(k)), provided such acceleration does not cause the recipient to become subject to excise taxes under Code Section 409A.

(d) **Exemptions from Section 16(b) Liability.** With respect to a Participant who is then subject to the reporting requirements of Section 16(a) of the Exchange Act in respect of the Company, the Committee shall implement transactions under the Plan and administer the Plan in a manner that will ensure that each transaction with respect to such a Participant is exempt from liability under Rule 16b-3 or otherwise not subject to liability under Section 16(b), except that this provision shall not limit sales by such a Participant, and such a Participant may engage in other non-exempt transactions under the Plan. The Committee may authorize the Company to repurchase any Award or shares of Stock deliverable or delivered in connection with any Award (subject to Section 12(k)) in order to avoid a Participant who is subject to Section 16 of the Exchange Act incurring liability under Section 16(b). Unless otherwise specified by the Participant, equity securities or derivative securities acquired under the Plan which are disposed of by a Participant shall be deemed to be disposed of in the order acquired by the Participant.

(e) **Limitation on Vesting of Certain Awards.** If the granting or vesting of full-value Awards (as defined in Section 5(b)) is subject to performance conditions, the minimum vesting period of such Awards shall be no less than one year. If neither the granting nor vesting of full-value Awards is subject to performance conditions, such Awards shall have a minimum vesting period of no less than three years; provided, however, that such Awards may vest on an accelerated basis in the event of a Participant's death, disability, Termination of Service after age 65 (or such other age as determined by the Committee), or in the event of a Change in Control or other special circumstances; provided however, the vesting of no more than 10% of the shares of Stock authorized under the Plan may be accelerated for other special circumstances. For purposes of this Section 9(e), (i) a performance period that precedes the grant of the Award will be treated as part of the vesting period if the participant has been notified promptly after the commencement of the performance period that he or she has the opportunity to earn the Award based on performance and continued service, and (ii) vesting over a one-year period or three-year period will include periodic vesting (i.e., monthly step vesting in the case of a one-year award, or annual step vesting over a two or three year award) over such period if the rate of such vesting is proportional (or less rapid) to the number of months or years that have lapsed, as applicable, in such period. The foregoing notwithstanding, up to 10% of the shares of Stock authorized under the Plan may be granted as full-value Awards without the minimum vesting requirements set forth in this Section 9(e).

(f) **Deferred Compensation Awards.** Notwithstanding anything to the contrary contained herein, any Award which is subject to Code Section 409A shall, at a minimum, comply with all of the requirements set forth in Code Section 409A as are necessary to allow the deferral of federal income tax on the deferred compensation resulting from the Award and to avoid the constructive receipt of such deferred compensation.

**10. *Change in Control.***

(a) **Effect of Change in Control on Non-Performance Based Awards.** In the event of a Change in Control, the following provisions shall apply to non-performance based Awards, including Awards as to which performance conditions previously have been satisfied or are deemed satisfied under Section 10(b), unless otherwise determined by the Committee at the time of the Change in Control or as otherwise provided in a current employment agreement between the Company and the Participant:

(i) All deferral of settlement, forfeiture conditions and other restrictions applicable to Awards granted under the Plan shall lapse and such Awards shall be fully payable as of the time of the Change in Control



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without regard to deferral and vesting conditions, except to the extent of any waiver by the Participant or other express election to defer beyond the Change in Control and subject to applicable restrictions set forth in Section 12(a);

(ii) Any Award carrying a right to exercise that was not previously exercisable and vested shall become fully exercisable and vested as of the time of the Change in Control and shall remain exercisable and vested for the balance of the stated term of such Award without regard to any Termination of Service by the Participant other than a termination for cause (as defined in any employment or severance agreement between the Company or its subsidiary and the Participant then in effect or, if none, as defined by the Committee and in effect at the time of the Change in Control), subject only to applicable restrictions set forth in Section 12(a); and

(iii) The Committee may, in its discretion, determine to extend to any Participant who holds an Option the right to elect, during the 60-day period immediately following the Change in Control, in lieu of acquiring the shares of Stock covered by such Option, to receive in cash the excess of the Change in Control Price over the exercise price of such Option, multiplied by the number of shares of Stock covered by such Option, and to extend to any Participant who holds other types of Awards denominated in shares the right to elect, during the 60-day period immediately following the Change in Control, in lieu of receiving the shares of Stock covered by such Award, to receive in cash the Change in Control Price multiplied by the number of shares of Stock covered by such Award.

(b) Effect of Change in Control on Performance-Based Awards. In the event of a Change in Control, with respect to an outstanding Award subject to achievement of performance goals and conditions, such performance goals and conditions shall be deemed to be met or exceeded if and to the extent so provided by the Committee in the Award document governing such Award or other agreement with the Participant.

(c) Definition of Change in Control. A Change in Control shall be deemed to have occurred if, after the Effective Date, there shall have occurred any of the following:

(i) a complete dissolution or liquidation of the Company, or similar occurrence;

(ii) the consummation of a merger, consolidation, acquisition, separation, reorganization, or similar occurrence, where the Company is not the surviving entity;

(iii) a transfer of substantially all of the assets of the Company or more than 80% of the outstanding Common Stock in a single transaction; or

(iv) the individuals who constitute the Board as of the Effective Date, or who have been recommended for election to the Board by two-thirds of the Board consisting of individuals who are either on the Board as of the Effective Date or such successors, cease for any reason to constitute at least a majority of such Board.

Notwithstanding the foregoing, with respect to any deferred compensation Award which is subject to Code Section 409A and with respect to which Section 409A(a)(2)(A)(v) is applicable, a Change in Control shall not have been deemed to have occurred unless the requirements of Section 409A(a)(2)(A)(v) have been satisfied.

(d) Definition of Change in Control Price. The Change in Control Price means an amount in cash equal to the amount of cash and fair market value of property that is the highest price per share paid (including extraordinary dividends) in any transaction triggering the Change in Control or any liquidation of shares following a sale of substantially all assets of the Company.

11. *Additional Award Forfeiture Provisions.*

(a) Forfeiture of Options and Other Awards and Gains Realized Upon Prior Option Exercises or Award Settlements. Unless otherwise determined by the Committee, each Award granted hereunder shall be subject to the following additional forfeiture conditions, to which the Participant, by accepting an Award hereunder, agrees.

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If any of the events specified in Section 11(b)(i), (ii), or (iii) occurs (a Forfeiture Event ), all of the following forfeitures will result, with such forfeitures becoming effective at the later of the occurrence of the Forfeiture Event or the Participant's Termination of Service:

(i) The unexercised portion of the Option, whether or not vested, and any other Award not then settled (except for an Award that has not been settled solely due to an elective deferral by the Participant and otherwise is not forfeitable in the event of any termination of service of the Participant) will be immediately forfeited and canceled upon the occurrence of the Forfeiture Event; and

(ii) The Participant will be obligated to repay to the Company, in cash, within five business days after demand is made therefor by the Company, the total amount of Award Gain (as defined herein) realized by the Participant upon each exercise of an Option or settlement of an Award (regardless of any elective deferral) that occurred on or after (A) the date that is six months prior to the occurrence of the Forfeiture Event, if the Forfeiture Event occurred while the Participant was employed by the Company or a subsidiary, or (B) the date that is six months prior to the date the Participant's employment by the Company or a subsidiary terminated, if the Forfeiture Event occurred after the Participant ceased to be so employed. For purposes of this Section, the term Award Gain shall mean (i) in respect of a given Option exercise, the product of (X) the Fair Market Value per share of Stock at the date of such exercise (without regard to any subsequent change in the market price of shares) minus the exercise price times (Y) the number of shares as to which the Option was exercised at that date, and (ii) in respect of any other settlement of an Award granted to the Participant, the Fair Market Value of the cash or Stock paid or payable to Participant (regardless of any elective deferral) less any cash or the Fair Market Value of any Stock or property (other than an Award or award which would have itself then been forfeitable hereunder and excluding any payment of tax withholding) paid by the Participant to the Company as a condition of or in connection with such settlement.

(b) Events Triggering Forfeiture. The forfeitures specified in Section 11(a) will be triggered upon the occurrence of any one of the following Forfeiture Events at any time during the Participant's employment by the Company or a subsidiary or during the one-year period following termination of such employment:

(i) The Participant, acting alone or with others, directly or indirectly, prior to a Change in Control, (A) engages, either as employee, employer, consultant, advisor, or director, or as an owner, investor, partner, or stockholder unless the Participant's interest is insubstantial, in any business in an area or region in which the Company conducts business at the date the event occurs, which is directly in competition with a business then conducted by the Company or a subsidiary; (B) induces any customer, supplier, licensee or licensor of the Company or a subsidiary, or other company with which the Company or a subsidiary has a business relationship, to curtail, cancel, not renew, or not continue his or her or its business with the Company or any subsidiary; or (C) induces, or attempts to influence, any employee of or service provider (including, but not limited to, licensees and licensors) to the Company or a subsidiary to terminate such employment or service. The Committee shall, in its discretion, determine which lines of business the Company conducts on any particular date and which third parties may reasonably be deemed to be in competition with the Company. For purposes of this Section 11(b)(i), a Participant's interest as a stockholder is insubstantial if it represents beneficial ownership of less than five percent of the outstanding class of stock, and a Participant's interest as an owner, investor, or partner is insubstantial if it represents ownership, as determined by the Committee in its discretion, of less than five percent of the outstanding equity of the entity;

(ii) The Participant discloses, uses, sells, or otherwise transfers, except in the course of employment with or other service to the Company or any subsidiary, any confidential or proprietary information of the Company or any subsidiary, including but not limited to information regarding the Company's current and potential customers, organization, employees, finances, and methods of operations and investments, so long as such information has not otherwise been disclosed to the public or is not otherwise in the public domain, except as required by law or pursuant to legal process, or the Participant makes statements or representations, or otherwise communicates, directly or indirectly, in writing, orally, or otherwise, or takes



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any other action which may, directly or indirectly, disparage or be damaging to the Company or any of its subsidiaries or their respective officers, directors, employees, advisors, businesses or reputations, except as required by law or pursuant to legal process; or

(iii) The Participant fails to cooperate with the Company or any subsidiary or by making himself or herself available to testify on behalf of the Company or such subsidiary in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative, or otherwise fails to assist the Company or any subsidiary in any such action, suit, or proceeding by providing information and meeting and consulting with members of management of, other representatives of, or counsel to, the Company or such subsidiary, as reasonably requested.

(c) **Agreement Does Not Prohibit Competition or Other Participant Activities.** Although the conditions set forth in this Section 11 shall be deemed to be incorporated into an Award, a Participant is not thereby prohibited from engaging in any activity, including but not limited to competition with the Company and its subsidiaries. Rather, the non-occurrence of the Forfeiture Events set forth in Section 11(b) is a condition to the Participant's right to realize and retain value from his or her compensatory Options and Awards, and the consequence under the Plan if the Participant engages in an activity giving rise to any such Forfeiture Event are the forfeitures specified herein. The Company and the Participant shall not be precluded by this provision or otherwise from entering into other agreements concerning the subject matter of Section 11(a) and 11(b).

(d) **Committee Discretion.** The Committee may, in its discretion, waive in whole or in part the Company's right to forfeiture under this Section, but no such waiver shall be effective unless evidenced by a writing signed by a duly authorized officer of the Company. In addition, the Committee may impose additional conditions on Awards, by inclusion of appropriate provisions in the document evidencing or governing any such Award.

## ***12. General Provisions.***

(a) **Compliance with Legal and Other Requirements.** The Company may, to the extent deemed necessary or advisable by the Committee, postpone the issuance or delivery of Stock or payment of other benefits under any Award until completion of such registration or qualification of such Stock or other required action under any federal or state law, rule or regulation, listing or other required action with respect to any stock exchange or automated quotation system upon which the Stock or other securities of the Company are listed or quoted, or compliance with any other obligation of the Company, as the Committee may consider appropriate, and may require any Participant to make such representations, furnish such information and comply with or be subject to such other conditions as it may consider appropriate in connection with the issuance or delivery of Stock or payment of other benefits in compliance with applicable laws, rules, and regulations, listing requirements, or other obligations.

(b) **Limits on Transferability; Beneficiaries.** No Award or other right or interest of a Participant under the Plan shall be pledged, hypothecated or otherwise encumbered or subject to any lien, obligation or liability of such Participant to any party (other than the Company or a subsidiary thereof), or assigned or transferred by such Participant otherwise than by will or the laws of descent and distribution or to a Beneficiary upon the death of a Participant, and such Awards or rights that may be exercisable shall be exercised during the lifetime of the Participant only by the Participant or his or her guardian or legal representative, except that Awards and other rights may be transferred to one or more transferees during the lifetime of the Participant, and may be exercised by such transferees in accordance with the terms of such Award, but only if and to the extent such transfers are permitted by the Committee, subject to any terms and conditions which the Committee may impose thereon (including limitations the Committee may deem appropriate in order that offers and sales under the Plan will meet applicable requirements of registration forms under the Securities Act of 1933 specified by the Securities and Exchange Commission). A Beneficiary, transferee, or other person claiming any rights under the Plan from or through any Participant shall be subject to all terms and conditions of the Plan and any Award document applicable to such Participant, except as otherwise determined by the Committee, and to any additional terms and conditions deemed necessary or appropriate by the Committee.





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(c) **Adjustments.** In the event of any large, special and non-recurring dividend or other distribution (whether in the form of cash or property other than Stock), recapitalization, forward or reverse split, Stock dividend, reorganization, merger, consolidation, spin-off, combination, repurchase, share exchange, liquidation, dissolution or other similar corporate transaction or event affects the Stock, the Committee shall adjust any or all of (i) the number and kind of shares of Stock which may be delivered in connection with Awards granted thereafter, (ii) the number and kind of shares of Stock by which annual per-person Award limitations are measured under Section 6(b) and Section 6(c), (iii) the number and kind of shares of Stock subject to or deliverable in respect of outstanding Awards and (iv) the exercise price, grant price or purchase price relating to any Award or, if deemed appropriate, the Committee may make provision for a payment of cash or property to the holder of an outstanding Option (subject to Section 12(k)). In addition, the Committee is authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards (including Performance Awards and performance goals and any hypothetical funding pool relating thereto) in recognition of unusual or nonrecurring events (including, without limitation, events described in the preceding sentence, as well as acquisitions and dispositions of businesses and assets) affecting the Company, any subsidiary or other business unit, or the financial statements of the Company or any subsidiary, or in response to changes in applicable laws, regulations, accounting principles, tax rates and regulations or business conditions or in view of the Committee's assessment of the business strategy of the Company, any subsidiary or business unit thereof, performance of comparable organizations, economic and business conditions, personal performance of a Participant, and any other circumstances deemed relevant; provided that no such adjustment shall be authorized or made if and to the extent that the existence of such authority (i) would cause Options, SARs, or Performance Awards granted under Section 8 to Participants designated by the Committee as Covered Employees and intended to qualify as performance-based compensation under Code Section 162(m) and regulations thereunder to otherwise fail to qualify as performance-based compensation under Code Section 162(m) and regulations thereunder, or (ii) would cause the Committee to be deemed to have authority to change the targets, within the meaning of Treasury Regulation 1.162-27(e)(4)(vi), under the performance goals relating to Options or SARs granted to Covered Employees and intended to qualify as performance-based compensation under Code Section 162(m) and regulations thereunder.

(d) **Tax Provisions.**

(i) ***Withholding.*** The Company and any subsidiary is authorized to withhold from any Award granted, any payment relating to an Award under the Plan, including from a distribution of Stock, or any payroll or other payment to a Participant, amounts of withholding and other taxes due or potentially payable in connection with any transaction involving an Award, and to take such other action as the Committee may deem advisable to enable the Company and Participants to satisfy obligations for the payment of withholding taxes and other tax obligations relating to any Award. This authority shall include authority to withhold or receive Stock or other property and to make cash payments in respect thereof in satisfaction of a Participant's withholding obligations, either on a mandatory or elective basis in the discretion of the Committee. Other provisions of the Plan notwithstanding, only the minimum amount of Stock deliverable in connection with an Award necessary to satisfy statutory withholding requirements will be withheld, except a greater amount of Stock may be withheld if such withholding would not result in the recognition of additional accounting expense to the Company.

(ii) ***Required Consent to and Notification of Code Section 83(b) Election.*** No election under Code Section 83(b) (to include in gross income in the year of transfer the amounts specified in Code Section 83(b)) or under a similar provision of the laws of a jurisdiction outside the United States may be made unless expressly permitted by the terms of the Award document or by action of the Committee in writing prior to the making of such election, which election right shall not be unreasonably withheld if the Participant requests to make such an election in writing to the Committee. In any case in which a Participant is permitted to make such an election in connection with an Award, the Participant shall notify the Company of such election within ten days of filing notice of the election with the Internal Revenue Service or other governmental authority, in addition to any filing and notification required pursuant to regulations issued under Code Section 83(b) or other applicable provision.

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(e) Changes to the Plan. The Board may amend, suspend or terminate the Plan or the Committee's authority to grant Awards under the Plan without the consent of stockholders or Participants; provided, however, that any amendment to the Plan shall be submitted to the Company's stockholders for approval not later than the earliest annual meeting for which the record date is after the date of such Board action if such stockholder approval is required by any federal or state law or regulation or the rules of any stock exchange or automated quotation system on which the Stock may then be listed or quoted, and the Board may otherwise, in its discretion, determine to submit other amendments to the Plan to stockholders for approval and provided further, that, without the consent of an affected Participant, no such Board action may materially and adversely affect the rights of such Participant under any outstanding Award. Except in connection with a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of shares), the terms of outstanding awards may not be amended to reduce the exercise price of outstanding Options or SARs or cancel outstanding Options or SARs in exchange for cash, other awards or Options or SARs with an exercise price that is less than the exercise price of the original Options or SARs without stockholder approval.

(f) Right of Setoff. The Company or any subsidiary may, to the extent permitted by applicable law, deduct from and set off against any amounts the Company or its subsidiary may owe to the Participant from time to time, including amounts payable in connection with any Award, owed as wages, fringe benefits, or other compensation owed to the Participant, any such amounts as may be owed by the Participant to the Company, including but not limited to amounts owed under Section 11(a), although the Participant shall remain liable for any part of the Participant's payment obligation not satisfied through such deduction and setoff. By accepting any Award granted hereunder, the Participant agrees to any deduction or setoff under this Section 12(f).

(g) Unfunded Status of Awards: Creation of Trusts. The Plan is intended to constitute an unfunded plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant or obligation to deliver Stock pursuant to an Award, nothing contained in the Plan or any Award shall give any such Participant any rights that are greater than those of a general creditor of the Company; provided that the Committee may authorize the creation of trusts and deposit therein cash, Stock, other Awards or other property, or make other arrangements to meet the Company's obligations under the Plan. Such trusts or other arrangements shall be consistent with the unfunded status of the Plan unless the Committee otherwise determines with the consent of each affected Participant.

(h) Nonexclusivity of the Plan. Neither the adoption of the Plan by the Board nor its submission to the stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board or a committee thereof to adopt such other incentive arrangements, apart from the Plan, as it may deem desirable, including incentive arrangements and awards which do not qualify under Code Section 162(m), and such other arrangements may be either applicable generally or only in specific cases.

(i) Payments in the Event of Forfeitures: Fractional Shares. Unless otherwise determined by the Committee, in the event of a forfeiture of an Award with respect to which a Participant paid cash consideration, the Participant shall be repaid the amount of such cash consideration. No fractional shares of Stock shall be issued or delivered pursuant to the Plan or any Award. The Committee shall determine whether cash, other Awards or other property shall be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

(j) Compliance with Code Section 162(m). It is the intent of the Company that Options and SARs granted to Covered Employees and other Awards designated as Awards to Covered Employees subject to Section 8 shall constitute qualified performance-based compensation within the meaning of Code Section 162(m) and regulations thereunder, unless otherwise determined by the Committee at the time of allocation of an Award. Accordingly, the terms of Sections 8(b), (c), and (d), including the definitions of Covered Employee and other terms used therein, shall be interpreted in a manner consistent with Code Section 162(m) and regulations thereunder. The foregoing notwithstanding, because the Committee cannot determine with certainty whether a given Participant will be a Covered Employee with respect to a fiscal year that has not yet been completed, the



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term Covered Employee as used herein shall mean only a person designated by the Committee as likely to be a Covered Employee with respect to a specified fiscal year. If any provision of the Plan or any Award document relating to a Performance Award that is designated as intended to comply with Code Section 162(m) does not comply or is inconsistent with the requirements of Code Section 162(m) or regulations thereunder, such provision shall be construed or deemed amended to the extent necessary to conform to such requirements, and no provision shall be deemed to confer upon the Committee or any other person discretion to increase the amount of compensation otherwise payable in connection with any such Award upon attainment of the applicable performance objectives.

(k) Certain Limitations Relating to Accounting Treatment of Awards. At any time that the Company is accounting for stock-denominated Awards under Financial Accounting Standards Board Accounting Standards Codification Topic 718, Stock Compensation ( Topic 718 ), the Company intends that, with respect to such Awards, the compensation measurement date for accounting purposes shall occur at the date of grant or such other date that applies to Awards that are treated as equity awards under Topic 718, unless the Committee specifically determines otherwise. Therefore, other provisions of the Plan notwithstanding, in order to preserve this fundamental objective of the Plan, if any authority granted to the Committee hereunder or any provision of the Plan or an Award agreement would result, under Topic 718, in liability accounting, if the Committee was not specifically aware of such accounting consequence at the time such Award was granted or provision otherwise became effective, such authority shall be limited and such provision shall be automatically modified and reformed to the extent necessary to preserve the accounting treatment of the award intended by the Committee. This provision shall cease to be effective if and at such time as the Company no longer accounts for equity compensation under Topic 718.

(l) Governing Law. The validity, construction, and effect of the Plan, any rules and regulations relating to the Plan and any Award document shall be determined in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of laws, and applicable provisions of federal law.

(m) Awards to Participants Outside the United States. The Committee may modify the terms of any Award under the Plan made to or held by a Participant who is then resident or primarily employed outside of the United States in any manner deemed by the Committee to be necessary or appropriate in order that such Award shall conform to laws, regulations, and customs of the country in which the Participant is then resident or primarily employed, or so that the value and other benefits of the Award to the Participant, as affected by foreign tax laws and other restrictions applicable as a result of the Participant's residence or employment abroad shall be comparable to the value of such an Award to a Participant who is resident or primarily employed in the United States. An Award may be modified under this Section 12(m) in a manner that is inconsistent with the express terms of the Plan, so long as such modifications will not contravene any applicable law or regulation or result in actual liability under Section 16(b) for the Participant whose Award is modified.

(n) Limitation on Rights Conferred under Plan. Neither the Plan nor any action taken hereunder shall be construed as (i) giving any Eligible Person or Participant the right to continue as an Eligible Person or Participant or in the employ or service of the Company or a subsidiary, (ii) interfering in any way with the right of the Company or a subsidiary to terminate any Eligible Person's or Participant's employment or service at any time, (iii) giving an Eligible Person or Participant any claim to be granted any Award under the Plan or to be treated uniformly with other Participants and employees, or (iv) conferring on a Participant any of the rights of a stockholder of the Company unless and until the Participant is duly issued or transferred shares of Stock in accordance with the terms of an Award or an Option is duly exercised. Except as expressly provided in the Plan and an Award document, neither the Plan nor any Award document shall confer on any person other than the Company and the Participant any rights or remedies thereunder.

(o) Severability; Entire Agreement. If any of the provisions of this Plan or any Award document is finally held to be invalid, illegal or unenforceable (whether in whole or in part), such provision shall be deemed modified to the extent, but only to the extent, of such invalidity, illegality or unenforceability, and the remaining provisions shall not be affected thereby; provided, that, if any of such provisions is finally held to be invalid,



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illegal, or unenforceable because it exceeds the maximum scope determined to be acceptable to permit such provision to be enforceable, such provision shall be deemed to be modified to the minimum extent necessary to modify such scope in order to make such provision enforceable hereunder. The Plan and any Award documents contain the entire agreement of the parties with respect to the subject matter thereof and supersede all prior agreements (unless an employment agreement entered into between the Company and the Participant specifically provides contradictory terms, in which case the terms of the employment agreement shall govern), promises, covenants, arrangements, communications, representations and warranties between them, whether written or oral with respect to the subject matter thereof.

(p) Plan Effective Date and Termination. The 2012 Restatement shall become effective if, and at such time as, the stockholders of the Company have approved it by the affirmative votes of the holders of a majority of the voting securities of the Company present in person or by proxy and entitled to vote on the subject matter at a duly held meeting of stockholders at which a quorum is present provided at least a majority of the Company's outstanding shares entitled to vote on the Plan have voted. Notwithstanding the foregoing, any outstanding awards (as of the Effective Date) granted pursuant to any Preexisting Plan continue to be governed by the terms of such Preexisting Plans. Unless earlier terminated by action of the Board of Directors, the Plan will remain in effect until such time as no Stock remains available for delivery under the Plan and the Company has no further rights or obligations under the Plan with respect to outstanding Awards under the Plan.

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*Annex B*

**WMS INDUSTRIES INC.**

**Proxy for Annual Meeting of Stockholders on December 6, 2012**

**This proxy is solicited on behalf of the Board of Directors**

THE UNDERSIGNED hereby appoints each of BRIAN R. GAMACHE, ORRIN J. EDIDIN, SCOTT D. SCHWEINFURTH and KATHLEEN J. MCJOHN as proxies, each with full power of substitution and power to act alone, to represent and vote as designated on the reverse side, all the shares of common stock of WMS Industries Inc. held of record by the undersigned on October 10, 2012, at the at the Annual Meeting of Stockholders to be held at the WMS Industries Inc. Technology Campus at 2718 W. Roscoe Street, Chicago, Illinois 60618 on December 6, 2012 and at any adjournments or postponement thereof.

**(Continued and to be signed on the reverse side)**

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**ANNUAL MEETING OF STOCKHOLDERS OF**

**WMS INDUSTRIES INC.**

**December 6, 2012**

**NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL:**

Our 2012 Annual Report, Annual Report on Form 10-K for fiscal year 2012,

Notice of Annual Meeting, Proxy Statement and Proxy Card

are available at <http://ir.wms.com>

Please sign, date and mail your proxy card in the

envelope provided as soon as possible.

\$ Please detach along perforated line and mail in the envelope provided. \$

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF DIRECTORS, AND FOR PROPOSALS 2, 3, AND 4. PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE x**

			FOR	AGAINST	ABSTAIN
1. The election as director of the nominees listed below (except as marked to the contrary below).		2. The approval of the adoption of the WMS Industries Inc. Incentive Plan (2012 Restatement)	..	..	..
<b>** FOR ALL NOMINEES</b>	<b>NOMINEES:</b>		FOR	AGAINST	ABSTAIN
	O Robert J. Bahash				
	O Brian R. Gamache	3. The ratification of Ernst & Young as the independent registered public accounting firm for fiscal year 2013.	..	..	..
<b>** WITHHOLD AUTHORITY</b>	O Patricia M. Nazemetz		FOR	AGAINST	ABSTAIN
<b>FOR ALL NOMINEES</b>	O Matthew H. Paull	4. The approval of the compensation of the named executive officers	..	..	..
<b>** FOR ALL EXCEPT</b>	O Edward W. Rabin, Jr.				
(See instructions below)	O Ira S. Sheinfeld				
	O Bobby L. Siller				
	O William J. Vareschi, Jr.				
	O Keith R. Wyche	In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the Annual Meeting. This proxy when properly executed will be voted as directed herein by the undersigned stockholder. If no direction is made, this proxy will be voted FOR ALL NOMINEES in Proposal 1 and FOR Proposals 2, 3 and 4.			

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**INSTRUCTIONS:** To withhold authority to vote for any individual nominee(s), mark **FOR ALL EXCEPT** and fill in the circle next to each nominee you wish to withhold, as shown here: 1

The undersigned acknowledges receipt from the Company before the execution of this proxy of the Notice of Annual Meeting, a Proxy Statement, the 2012 Annual Report and the Annual Report on Form 10-K for fiscal year 2012.

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method. ..

Signature of Stockholder	Date:	Signature of Stockholder	Date:
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**Note:** Please sign exactly as your name or names appear on this proxy. When shares are held jointly, each holder should sign. When signing as an executor, administrator, attorney, trustee or guardian, please give your full title as such. If signatory is a corporation or company, please sign the full corporate name by a duly authorized officer. If signatory is a partnership, please sign in partnership name by an authorized person.