PENTAIR INC
Form DEF 14A
March 18, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:

o	Preliminary Proxy Statement	o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
þ	Definitive Proxy Statement		
o	Definitive Additional Materials		
o	Soliciting Material Pursuant to §240.14a-12		

Pentair, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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

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

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PENTAIR, INC.
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held May 1, 2008

To our Shareholders:

Our Annual Meeting of Shareholders will be held at the Thrivent Financial Auditorium, 625 4th Avenue South, Minneapolis, Minnesota, on Thursday, May 1, 2008, at 10:00 a.m., for the following purposes:

1. to elect three directors;

2. to approve the Pentair, Inc. 2008 Omnibus Stock Incentive Plan;

3. to ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2008;

and to transact such other business as may properly come before the Annual Meeting or any adjournment of the Annual Meeting. We are not aware of any items of other business to be presented at the Annual Meeting.

The Board of Directors has fixed the close of business on March 2, 2008 as the record date for determining the shareholders entitled to vote at the Annual Meeting. Accordingly, you are only entitled to vote if you are a shareholder of record at the close of business on that date. Our transfer books will not be closed.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on May 1, 2008. The Pentair, Inc. proxy statement for the 2008 Annual Meeting of Shareholders and the 2007 Annual Report to Shareholders are available at http://ww3.ics.adp.com/streetlink/PNR.

By Order of the Board of Directors

Louis L. Ainsworth, Secretary

Golden Valley, Minnesota
March 18, 2008

IMPORTANT: Your vote is very important. To legally hold an Annual Meeting, a majority of the outstanding shares must be in attendance. We encourage you to vote your proxy as soon as possible. You may vote by Internet or telephone as described in the voting instructions on the proxy; or date, sign and return the proxy in the enclosed envelope. You may vote in person at the Annual Meeting even if you submit your proxy by Internet, phone or mail.

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Proxy Statement for the
Annual Meeting of Shareholders of
PENTAIR, INC.
To Be Held on May 1, 2008

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PROXY STATEMENT
FOR THE
ANNUAL MEETING OF SHAREHOLDERS OF
PENTAIR, INC.
TO BE HELD ON THURSDAY, MAY 1, 2008

Solicitation

This Proxy Statement, the accompanying proxy card and our Annual Report to Shareholders are being mailed on or about March 24, 2008. Our Board of Directors (the Board) is soliciting your proxy to vote your shares at the Annual Meeting. The Board is soliciting your proxy to give all shareholders of record the opportunity to vote on matters that will be presented at the Annual Meeting. This Proxy Statement provides you with information on these matters to assist you in voting your shares.

What is a proxy?

A proxy is your legal designation of another person (the proxy) to vote on your behalf. By voting your proxy, you are giving the persons named on the proxy card the authority to vote your shares in the manner you indicate on your proxy card. You vote your proxy by submitting the enclosed proxy card, by telephone or over the Internet,

Why did I receive more than one proxy card?

You will receive multiple proxy cards if you hold your shares in different ways (for example, joint tenancy, trusts, custodial accounts) or in multiple accounts. If your shares are held by a broker (in street name), you will receive your proxy card or other voting information from your broker, and you will return your proxy card or cards or otherwise vote your proxy as indicated in the materials you receive with this Proxy Statement. You should vote your proxy for each separate account you have.

Voting Information

Who is qualified to vote?

You are qualified to receive notice of the Annual Meeting and to vote if you own shares of our Common Stock at the close of business on our record date of March 2, 2008.

How many shares of Common Stock may vote at the Annual Meeting?

As of March 2, 2008, there were 98,979,984 shares of Common Stock outstanding and entitled to vote. Each share of Common Stock is entitled to one vote on each matter presented.

What is the difference between a shareholder of record and a street name holder?

These terms describe how your shares are held. If your shares are registered directly in your name with Wells Fargo Bank, N.A., our transfer agent, you are a shareholder of record. If your shares are held in the name of a brokerage, bank, trust or other nominee on your behalf, you are a street name holder.

How do I vote my shares?

If you are a shareholder of record, you have three choices. You can vote your proxy:

- by mailing in the enclosed proxy card;
- over the telephone; or
- via the Internet.

Please refer to the specific instructions set forth on the enclosed proxy card. For security reasons, our electronic voting system has been designed to authenticate your identity as a shareholder.

If you hold your shares in street name, your broker/bank/trustee/nominee will provide you with materials and instructions for voting your shares.

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Can I vote my shares in person at the Annual Meeting?

If you are a shareholder of record, you may vote your shares in person at the Annual Meeting. *If you hold your shares in street name*, you must obtain a proxy from your broker, banker, trustee or nominee, giving you the right to vote the shares at the Annual Meeting.

What are the Board s recommendations on how I should vote my shares?

The Board recommends that you vote your shares as follows:

Proposal 1	**FOR** the election of three nominees for election to our Board with terms expiring at the 2011 Annual Meeting of Shareholders.
Proposal 2	**FOR** the approval of the Pentair, Inc. 2008 Omnibus Stock Incentive Plan.
Proposal 3	**FOR** the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2008.

What are my choices when voting?

Proposal 1 You may cast your vote in favor of electing the nominees as directors, or you may withhold your vote on one, two or all nominees.

Proposals 2 and 3 You may cast your vote in favor of or against each proposal, or you may elect to abstain from voting your shares.

How would my shares be voted if I do not specify how they should be voted?

If you submit your proxy without indicating how you want your shares to be voted, the persons named on the proxy card will vote your shares according to the Board s recommendations that are listed above.

As to any other business that may properly come before the Annual Meeting, the persons named on the proxy card will vote in accordance with their best judgment. We do not presently know of any other business.

If your shares are held in the name of a brokerage firm, the brokerage firm has the discretionary authority to vote your shares in connection with the election of directors and the ratification of our independent auditors if you do not timely provide your proxy because these matters are considered routine under the New York Stock Exchange (NYSE) listing standards.

How many shares of Common Stock constitute a quorum for the Annual Meeting?

A majority of the shares of Common Stock outstanding as of March 2, 2008, will constitute a quorum at the Annual Meeting.

What vote is required to approve each proposal?

Proposals 1 and 3 each require the affirmative vote of a majority of those shares present in person or represented by proxy and entitled to vote at the Annual Meeting.

Proposal 2 requires the affirmative vote of the holders of a majority of those shares present in person or represented by proxy and entitled to vote at the Annual Meeting, provided that a majority of the outstanding shares of our common stock are voted on the proposal.

How are abstentions and broker non-votes treated?

Abstentions and broker non-votes are counted for purposes of determining the presence or absence of a quorum for the transaction of business at the Annual Meeting. Minnesota law and our Articles of Incorporation provide that abstentions are counted in determining the total number of the votes cast on proposals presented to shareholders, but that abstentions are not treated as votes in favor of proposals voted upon at the Annual Meeting. Broker non-votes are not counted for purposes of determining the total number of votes cast on proposals presented to shareholders.

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Can I change my vote after I have submitted my proxy?

You may revoke your proxy by doing one of the following:

- by sending a written notice of revocation to our Secretary that is received before the Annual Meeting, stating that you revoke your proxy;
- by delivering a later-dated proxy by telephone, on the Internet, or in writing so that it is received before the Annual Meeting in accordance with the instructions included in the proxy card(s); or
- by attending the Annual Meeting and voting your shares in person.

Who will count the votes?

Representatives from Wells Fargo Bank, N.A., our transfer agent, will count the votes and serve as our Inspectors of Election. The Inspectors of Election will be present at the Annual Meeting.

Who pays the cost of this proxy solicitation?

We pay the costs of soliciting proxies sought by the Board. Upon request, we will reimburse brokers, dealers, banks and trustees, or their nominees, for reasonable expenses incurred by them in forwarding proxy materials to beneficial owners of shares of our Common Stock. Morrow & Co., 470 West Avenue, Stamford, Connecticut, is assisting us in the solicitation of proxies at a cost to us of $8,500 plus expenses.

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CORPORATE GOVERNANCE MATTERS

Board Governance

The Board has adopted and regularly reviews and, if appropriate, revises its Corporate Governance Principles and written charters for its Audit Committee, Compensation Committee, Governance Committee and International Committee in accordance with rules of the Securities and Exchange Commission (SEC) and the NYSE. We and our Board continue to be committed to the highest standards of corporate governance and ethics. The Board has adopted Pentair s Code of Business Conduct and Ethics (Code of Conduct) and has designated it as the code of ethics for our Chief Executive Officer and senior financial officers. Copies of all of these documents are available, free of charge, on our website at www.pentair.com/code.html or in print to any shareholder who requests them in writing from our Secretary.

Independent Directors

The Board determines the independence of each director and nominee for election as a director. The Board makes these determinations in accordance with the NYSE rules for independence of directors and categorical standards of independence included in the Corporate Governance Principles which are attached as Appendix A. Based on these standards, at its meeting held on February 26, 2008, the Board affirmatively determined that each of the following non-employee directors and non-employee director nominees is independent and has no material relationship with us, except as a director or shareholder:

(1) Leslie Abi-Karam
(2) Glynis A. Bryan
(3) Jerry W. Burris
(4) T. Michael Glenn
(5) Barbara B. Grogan
(6) Charles A. Haggerty
(7) David H. Y. Ho
(8) David A. Jones
(9) Ronald L. Merriman
(10) William T. Monahan

In addition, based on the NYSE standards and our categorical standards of independence included in the Corporate Governance Principles, the Board affirmatively determined that Randall J. Hogan is not independent because he is our Chief Executive Officer.

In determining the independence of directors, our Governance Committee considers circumstances where one of our directors also serves as a director or executive officer of a company that is our customer or supplier. The Governance Committee has reviewed each of these relationships, which are set forth below. In each case, the relationship involves sales to or purchases from the organization indicated which (i) amount to less than the greater of $1 million or 2% of that organization s consolidated gross revenues during each of 2007, 2006 and 2005; and (ii) during all relevant years were not of an amount or nature that impeded the director s exercise of independent judgment.

Director	Relationships Considered
Leslie Abi-Karam	Executive Vice President and President, Mailing Solutions Management, Pitney Bowes Inc.
Glynis A. Bryan	Chief Financial Officer, Insight Enterprises, Inc.
Glynis A. Bryan	Former Chief Financial Officer, APL Logistics
T. Michael Glenn	Executive Vice President Market Development and Corporate Communications, FedEx Corporation
Charles A. Haggerty	Director, Beckman Coulter, Inc.

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Director	Relationships Considered
Charles A. Haggerty	Director, Deluxe Corporation
David H. Y. Ho	Chairman of the Greater China Region, Nokia Siemens Network
David H. Y. Ho	Former President, Nokia China Investment Limited, a subsidiary of Nokia Corporation
David A. Jones	Director, Simmons Company
William T. Monahan	Director, Hutchinson Technology, Inc.
William T. Monahan	Former Director and former Chief Executive Officer, Novelis Inc.

Shareholder and Other Stakeholder Communication with the Board

If you are a shareholder or other stakeholder and wish to communicate with the Board, non-management directors as a group or any individual director, including the Lead Director, you may send a letter addressed to the relevant party, c/o Corporate Secretary, Pentair, Inc., 5500 Wayzata Boulevard, Suite 800, Golden Valley, MN 55416. The Board has instructed the Secretary to forward such communications directly to the addressee(s).

Committees of the Board

The Board has four standing committees: the Audit Committee, the Compensation Committee, the Governance Committee and the International Committee. The International Committee meets once or twice a year. The other committees generally hold meetings when the Board meets and additionally as needed. Management representatives attend each committee meeting. Independent directors generally also meet in executive session without management present.

Audit Committee

Role:	The Audit Committee is responsible, among other things, for assisting the Board with oversight of our accounting and financial reporting processes and audits of our financial statements. These responsibilities include the integrity of the financial statements, compliance with legal and regulatory requirements, the independence and qualifications of our external auditor and the performance of our internal audit function and of the external auditor. The Audit Committee is directly responsible for the appointment, compensation, terms of engagement (including retention and termination) and oversight of the work of the external auditor. The Audit Committee holds meetings periodically with our independent and internal auditors, the Board and management to review and monitor the adequacy and effectiveness of reporting, internal controls, risk assessment and compliance with our policies.
Meetings:	The Audit Committee held nine meetings in 2007.
Members:	The members of the Audit Committee are Ronald L. Merriman (Chair), Leslie Abi-Karam, Glynis A. Bryan, Jerry W. Burris and David H. Y. Ho. All members have been determined to be independent under SEC and NYSE rules. Mr. Merriman is a member of the audit committees of Aircastle Limited, Realty Income Corporation and Haemonetics Corporation, each of which is a publicly-traded company. The Board has determined that Mr. Merriman s service on the audit committees of three other public companies does not impair his ability to effectively serve as Chair of our Audit Committee.
Report:	You can find the Audit Committee Report on page 59 of this Proxy Statement.

Charter:	You can find the Audit Committee Charter at: www.pentair.com/audit.html.

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Financial Experts:	The Board has unanimously determined that all members of the Audit Committee are financially literate under NYSE rules and at least one member has financial management expertise. In addition, the Board has determined that all members of the Audit Committee qualify as audit committee financial experts under SEC regulations.

Compensation Committee

Role:	The Compensation Committee sets and administers the policies that govern executive compensation. This includes establishing and reviewing executive base salaries, administering the Management Incentive Plan and the Executive Officer Performance Plan and administering equity-based compensation under the Omnibus Stock Incentive Plan. The Compensation Committee also sets the Chief Executive Officer s compensation based on the Board s annual evaluation of the Chief Executive Officer s performance. The Committee has engaged Hewitt Associates, a human resources consulting firm, to aid the Committee in its annual review of our executive and director compensation programs for continuing appropriateness and reasonableness and to make recommendations regarding executive officer and director compensation levels and structures. In reviewing our compensation programs, the Compensation Committee also considers other sources to evaluate external market, industry and peer company practices. A more complete description of these practices can be found on pages 12, 13 and 14 of this Proxy Statement under the headings Compensation Committee Practices, Role of Executive Officers in Compensation Decisions and Comparative Framework in the Compensation Discussion and Analysis section of this Proxy Statement.
Meetings:	The Compensation Committee held seven meetings during 2007.
Members:	The members of the Compensation Committee are David A. Jones (Chair), T. Michael Glenn, Barbara B. Grogan, Charles A. Haggerty and William T. Monahan. All members have been determined to be independent under NYSE rules.
Report:	You can find the Compensation Committee Report on page 23 of this Proxy Statement.
Charter:	You can find the Compensation Committee Charter at: www.pentair.com/compensation.html.

Governance Committee

Role:	The Governance Committee is responsible, among other things, for identifying individuals qualified to become directors and recommending nominees to the Board for election at annual meetings of shareholders. In addition, the Governance Committee monitors developments in director compensation and, as appropriate, recommends changes in director compensation to the Board. The Governance Committee is also responsible for developing and recommending to the Board corporate governance principles applicable to us. Finally, the Governance Committee oversees public policy matters and compliance with our Code of Conduct.
Meetings:	The Governance Committee held eight meetings in 2007.
Members:	The members of the Governance Committee are Charles A. Haggerty (Chair), T. Michael Glenn, Barbara B. Grogan, David A. Jones and William T. Monahan. All members have been determined to be independent under NYSE rules.

Charter:	You can find the Governance Committee Charter at: www.pentair.com/governance.html.

International Committee

Role:	The International Committee reviews our operations outside North America and assists management in formulating growth, development and organizational strategies for our international business divisions.
Meetings:	The International Committee held one meeting in 2007.

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Members:	The members of the International Committee are David A. Jones (Chair), David H. Y. Ho, Ronald L. Merriman, William T. Monahan and Randall J. Hogan (ex officio).
Charter:	You can find the International Committee Charter at: www.pentair.com/international.html.

Compensation Committee Interlocks and Insider Participation

During 2007, we did not employ any member of the Compensation Committee as an officer or employee and there were no interlock relationships.

Policies and Procedures Regarding Related Person Transactions

Our Board has adopted written policies and procedures regarding related person transactions. For purposes of these policies and procedures:

- a related person means any of our directors, executive officers or five-percent shareholders or any of their immediate family members; and

- a related person transaction generally is a transaction (including any indebtedness or a guarantee of indebtedness) in which we were or are a participant and the amount involved exceeds $50,000, and in which a related person had or will have a direct or indirect material interest.

Potential related person transactions must be brought to the attention of the Governance Committee directly or to the General Counsel for transmission to the Governance Committee. Disclosure to the Governance Committee should occur before, if possible, or as soon as practicable after the related person transaction is effected, but in any event as soon as practicable after the executive officer or director becomes aware of the related person transaction. The Governance Committee s decision whether or not to approve or ratify a related person transaction is to be made in light of a number of factors, including the following:

- whether the terms of the related person transaction are fair to us and on terms at least as favorable as would apply if the other party was not or did not have an affiliation with any of our directors, executive officers or five-percent shareholders;

- whether there are demonstrable business reasons for us to enter into the related person transaction;

- whether the related person transaction could impair the independence of a director under the Corporate Governance Principles standards for director independence; and

- whether the related person transaction would present an improper conflict of interest for any of our directors or executive officers, taking into account the size of the transaction, the overall financial position of the director or executive officer, the direct or indirect nature of the interest of the director or executive officer in the transaction, the ongoing nature of any proposed relationship, and any other factors the Committee deems relevant.

We had no related person transactions during 2007. To our knowledge, no related person transactions are currently proposed.

PROPOSAL 1
Election of Certain Directors

Information About Directors

Board Composition

Our Articles of Incorporation and By-Laws currently provide for a Board of up to eleven members. The Board is divided into three classes with directors serving three-year terms. The beginning date for each term is staggered so that, in any particular year, the term of only one class expires. Vacancies may be filled through appointment by the Board or through election by shareholders at a special meeting of shareholders called for that purpose. Any director appointed by the Board is required to stand for election at the next annual meeting of shareholders or next special meeting of shareholders called for that purpose. The Board appointed Jerry W. Burris to fill a vacancy in October 2007 and Leslie Abi-Karam in February 2008. Ms. Abi-Karam, Mr. Burris and incumbent director Ronald L. Merriman are standing for election at the Annual Meeting.

Directors Attendance

The Board held five meetings in 2007. In each of those meetings, the independent directors also met in executive session, without management or Mr. Hogan present. All directors attended at least 75% of the aggregate of all meetings of the Board and all meetings of the Committees on which they served during the fiscal year ended December 31, 2007. We expect our directors to attend our annual meetings of shareholders. In May 2007, all of the directors then in office attended the 2007 annual meeting of shareholders. William T. Monahan has been appointed by the Board as its Lead Director, effective January 1, 2008. Mr. Monahan acts as the presiding director for all executive sessions of the independent directors.

Director Qualifications

The Governance Committee searches for qualified candidates to be a director, reviews the qualifications of each candidate and recommends to the Board the names of qualified candidates to be nominated for election or re-election as directors. The Board reviews the candidates recommended by the Governance Committee and nominates candidates for election or re-election by the shareholders. The Governance Committee recognizes that the contribution of the Board will depend both on the character and capacities of the directors taken individually and on their collective strengths. With this in mind, the Governance Committee evaluates candidates in light of a number of criteria. Directors are chosen with a view to bringing to the Board a variety of experience and backgrounds and establishing a core of business advisers with financial and management expertise. The Governance Committee also considers candidates who have substantial experience outside the business community, such as in the public, academic or scientific communities.

When they consider possible candidates for appointment or election as directors, the Governance Committee and the Board are also guided by the following principles:

- each director should be chosen without regard to sex, sexual orientation, race, religion or national origin;
- the Corporate Governance Principles and the rules adopted by the SEC and the NYSE require that at least a majority of the Board consist of independent directors;
- each director should possess the highest character and integrity and have an inquiring mind, vision and the ability to work well with others;
- each director should be free of any conflict of interest which would violate any applicable law or regulation or interfere with the proper performance of the responsibilities of a director;

each director should possess substantial and significant experience which would be of particular importance to us in the performance of the duties of a director and would increase the diversity of experience, expertise and training of the Board taken as a whole;

each director should have sufficient time available to devote to our affairs in order to carry out the responsibilities of a director; and

each director should be committed to enhancing long-term shareholder value and be willing and able to represent the balanced, best interests of the shareholders as a whole rather than the interests of a special interest group or constituency.

In 2007, the Governance Committee retained an independent consultant to advise it and to assist the Committee in recruiting candidates for two vacancies on the Board anticipated as a result of the resignation of Richard J. Cathcart and the pending expiration of the term of director Barbara B. Grogan. The Committee also solicited the other members of the Board to identify other qualified candidates and to assist in recruitment of potential nominees. The Committee identified and interviewed a number of candidates proposed by its independent consultant. Both Jerry W. Burris and Leslie Abi-Karam were initially recommended by the Committee s independent consultant.

Shareholder Nominees

Shareholders submitted no candidates for nomination for election as a director to the Governance Committee in connection with the 2008 Annual Meeting. According to our By-Laws, a shareholder must give advance notice and furnish certain information in order to submit a nomination for election as a director. Any shareholder who wishes to present a candidate for consideration by the Governance Committee should send a letter identifying the name of the candidate and summary of the candidate s qualifications, along with the other supporting documentation described in Article 1, Section 10 of our By-Laws, to the Governance Committee. This letter should be addressed c/o Corporate Secretary, Pentair, Inc., 5500 Wayzata Boulevard, Suite 800, Golden Valley, MN 55416 no earlier than January 10, 2009 and no later than February 4, 2009 for consideration at the 2009 Annual Meeting. You can find a copy of our By-Laws on file with the SEC by searching the EDGAR archives at www.sec.gov/edgar/searchedgar/webusers.htm. You may also obtain a copy from us free of charge by submitting a written request to the Corporate Secretary, Pentair, Inc., 5500 Wayzata Boulevard, Suite 800, Golden Valley, MN 55416.

Election of Directors

The term of director Barbara B. Grogan expires at the Annual Meeting. The Board, upon recommendation of the Governance Committee, has nominated incumbent directors Leslie Abi-Karam, Jerry W. Burris and Ronald L. Merriman for three-year terms that expire at the 2011 Annual Meeting of Shareholders. Seven directors have terms of office that do not expire at this time and we expect that they will continue to serve their full terms.

Directors Standing For Election

For a Three-Year Term Expiring at the 2011 Annual Meeting of Shareholders

Leslie Abi-Karam, director since February 2008, age 49

Since March 2008, Ms. Abi-Karam has been the Executive Vice President and President, Mailing Solutions Management of Pitney Bowes Inc., a global mailstream technology company. Between December 2002 and March 2008, Ms. Abi-Karam was the Executive Vice President and President, Document Messaging Technologies (DMT) of Pitney Bowes Inc. She is also responsible for all global supply chain and enterprise procurement operations, supplying products and sourcing for all commodity/spend management within Pitney Bowes worldwide. Between October 2000 and December 2002, Ms. Abi-Karam was President, Global Mail Creation and Mail Finishing, of Pitney Bowes Inc. She has been with Pitney Bowes since 1984 and has held various roles of increasing responsibility.

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Jerry W. Burris, director since October 2007, age 44

Since July 2006, Mr. Burris has been the president of Barnes Industrial, a global precision components business within Barnes Group Inc. Prior to joining Barnes Group, Mr. Burris worked at General Electric Company, a multinational technology and services conglomerate, where he served as president and chief executive officer of Advanced Materials Quartz and Ceramics in 2006. From 2003 to 2006, Mr. Burris was the general manager of global services for GE Healthcare. From 2001 to 2003, he led the integration of global supply chain sourcing for the Honeywell integration and served as the general manager of global sourcing for GE Industrial Systems. Mr. Burris first joined GE in 1986 in the GE Corporate Technical Sales and Marketing Program.

Ronald L. Merriman, director since 2004, age 63

Mr. Merriman serves as the Chair of the Audit Committee. He is a Managing Director of Merriman Partners, a management advisory firm. He served as Managing Director of O Melveny & Myers LLP, a global law firm, from 2000 to 2003; Executive Vice President of Carlson Wagonlit Travel, a global travel management firm, from 1999 to 2000 and Executive Vice President of Ambassador Performance Group, Inc., a publicly-traded travel services business, from 1997 to 1999. From 1967 to 1997, Mr. Merriman was employed by KPMG, a global accounting and consulting firm, where he ultimately served as a Vice Chair and member of the Executive Management Committee. He is also a director of Aircastle Limited, Realty Income Corporation and Haemonetics Corporation.

Directors Not Standing For Election

With a Term Expiring at the 2009 Annual Meeting of Shareholders

Charles A. Haggerty, director since 1994, age 66

Mr. Haggerty serves as the Chair of the Governance Committee. He is currently Chief Executive Officer of LeConte Associates, LLC, a consulting and investment firm. Mr. Haggerty joined Western Digital Corporation, a maker of hard disc drives, in June 1992, where he served as Chief Operating Officer until July 1993, as Chief Executive Officer and Chairman of the Board from July 1993 until he retired as Chief Executive Officer in January 2000 and as Chairman in June 2000. From 1964 to 1992, Mr. Haggerty served in various positions at International Business Machines Corporation. Mr. Haggerty is also a director of Imation Corp., Beckman Coulter, Inc., Deluxe Corporation and LSI Corp.

Randall J. Hogan, director since 1999, age 52

Since January 1, 2001, Mr. Hogan has been our Chief Executive Officer. Mr. Hogan became Chairman of the Board on May 1, 2002. From December 1999 through December 2000, Mr. Hogan was our President and Chief Operating Officer. From March 1998 to December 1999, he was Executive Vice President and President of our Electrical and Electronic Enclosures Group. From February 1995 to August 1997, he was President of the Carrier Transicold Division of United Technologies Corporation. From 1994 until 1995, he was Vice President and General Manager of Pratt & Whitney Industrial Turbines. From 1988 until 1994, he held various executive positions at General Electric. From 1981 until 1987, he was a consultant at McKinsey & Company. Mr. Hogan is also a director of Covidien, Inc.

David A. Jones, director since 2003, age 58

Mr. Jones serves as the Chair of the International and Compensation Committees. Since February 2008, Mr. Jones has been Senior Advisor to Oak Hill Capital Partners. Between 1996 and May 2007, Mr. Jones was Chairman and Chief Executive Officer of Spectrum Brands, Inc. (formerly Rayovac Corporation), a global consumer products company with major businesses in batteries, lighting, shaving/grooming, personal care, lawn and garden, household insecticide and pet supply product categories. From 1996 to April 1998, he also served Rayovac as President. From 1995 to 1996, Mr. Jones was Chief Operating Officer, Chief Executive Officer, and Chairman of the Board of Directors of Thermoscan, Inc. From 1989 to 1994, he served as President and Chief Executive Officer of The Regina Company. Mr. Jones is also a director of Simmons Company.

With a Term Expiring at the 2010 Annual Meeting of Shareholders

T. Michael Glenn, director since 2007, age 52

Since January 1998, Mr. Glenn has been the Executive Vice President Market Development and Corporate Communications of FedEx Corporation, a global provider of supply chain, transportation, business and related information services. From June 1994 to January 1998, Mr. Glenn was Senior Vice President - Marketing and

Corporate Communications of FedEx Express.

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David H. Y. Ho, director since 2007, age 48

Since April 2007, Mr. Ho has served as the Chairman of the Greater China Region for Nokia Siemens Network, a joint venture between Finland-based Nokia Corporation, a multinational telecommunications company, and Germany-based Siemens AG. Between April 2004 and March 2007, Mr. Ho served as the President of Nokia China Investment Limited, the Chinese operating subsidiary of Nokia Corporation. Between April 2004 and March 2007, Mr. Ho served as the President of Nokia China Investment Limited, the Chinese operating subsidiary of Finland-based Nokia Corporation, a multinational telecommunications company. Since January 2002, Mr. Ho has also served as Nokia China Investment Limited s Senior Vice President, Networks Greater China. Between 2000 and August 2001, Mr. Ho was the Senior Vice President and Chief Operating Officer of Nortel Networks China Limited, the Chinese operating subsidiary of Canada-based Nortel Networks Corporation, a multinational telecommunications company. Between 1998 and 1999, Mr. Ho was the Vice President and General Manager of Nortel Networks China Limited s Greater China Wireless Solutions division. Prior to joining Nortel Networks China Limited, Mr. Ho spent 15 years working in the Chinese operating subsidiaries of multinational telecommunications companies in roles of increasing responsibility.

Glynis A. Bryan, director since 2003, age 49

Since December 2007, Ms. Bryan has been the Chief Financial Officer of Insight Enterprises, Inc., a leading provider of information technology products and solutions to clients in North America, Europe, the Middle East and the Asia-Pacific region. Between April 2005 and May 2007, Ms. Bryan was the Executive Vice President and Chief Financial Officer of Swift Transportation Co., a holding company which operates the largest fleet of truckload carrier equipment in the United States. Between 2001 and March 2005, Ms. Bryan was the Chief Financial Officer of APL Logistics, the supply-chain management arm of Singapore-based NOL Group, a logistics and global transportation business. Prior to joining APL, Ms. Bryan spent 16 years with Ryder System, Inc., a truck leasing company, where she held a series of progressively responsible positions in finance. In her last assignment, Ms. Bryan was Senior Vice President of Ryder Capital Services, where she led the development of the firm s capital services business. In 1999 and 2000, Ms. Bryan served as Senior Vice President and Chief Financial Officer of Ryder Transportation Services.

William T. Monahan**,** director since 2001, age 60

Mr. Monahan serves as the Lead Director. From August through December 2006, Mr. Monahan served as Interim Chief Executive Officer of Novelis, Inc., a global leader in aluminum rolled products and aluminum can recycling From November 1995 to May 2004, Mr. Monahan was Chairman of the Board of Directors and Chief Executive Officer of Imation Corp., a manufacturer of magnetic and optical data storage media. Mr. Monahan is also a director of Hutchinson Technology, Inc. and The Mosaic Company.

If elected, each of the three director nominees standing for election at the Annual Meeting will serve on the Board until the Annual Meeting in 2011. If any of the three nominees should become unable to accept election, the persons named on the proxy card as proxies may vote for other person(s) selected by the Board or the named proxies. Management has no reason to believe that any of the three nominees for election named above will be unable to serve.

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR EACH DIRECTOR NOMINEE.

COMPENSATION DISCUSSION AND ANALYSIS

Overview of Compensation Program

The Compensation Committee (the Committee) of our Board sets and administers the policies that govern our executive compensation, including:

- establishing and reviewing executive base salaries;
- overseeing our annual incentive compensation plans;
- overseeing our long-term equity-based compensation plan;
- approving all awards under those plans; and
- annually approving and recommending to the Board all compensation decisions for executive officers, including those for the Chief Executive Officer and the other officers named in the Summary Compensation Table below (all, collectively, the Named Executive Officers).

The Committee seeks to assure that compensation paid to the Named Executive Officers is fair, reasonable and competitive, and is linked to increasing long-term shareholder value. Only independent directors serve on the Committee.

Compensation Philosophy and Objectives

The Committee believes that the most effective executive compensation program aligns executive initiatives with shareholders economic interests. The Committee seeks to accomplish this by rewarding the achievement of specific annual, longer-term and strategic goals that create lasting shareholder value. The Committee evaluates both executive performance and executive compensation to attract and retain superior employees in key positions at compensation levels competitive in the marketplace. To achieve the objectives stated below, the Committee provides executive compensation packages containing both cash and equity-based compensation components that reward performance as measured against established goals. The Committee s specific objectives include:

- to motivate and reward executives for achieving financial and strategic objectives;
- to provide rewards commensurate with individual and company performance;
- to encourage innovation and growth;
- to attract and retain top-quality executives and key employees; and
- to align our employee and shareholder interests by encouraging employee stock ownership.

To balance all these objectives, our executive compensation program uses the following elements:

- base salary, to provide a fixed compensation level competitive in the marketplace;
- annual incentive compensation plans, to reward short-term performance against specific financial targets;
- long-term equity incentive compensation, to link management incentives to shareholder return; and
- retirement, perquisites and other benefits, to attract and retain management and other employees over the longer term.

We discuss each of these components below under the topic 2007 Program Elements on page 14 of this Proxy Statement.

Compensation Committee Practices

The Committee meets regularly to review, discuss and approve executive compensation and employee benefit plan matters. To ensure it is able to address all of its responsibilities, the Committee establishes an annual agenda at the beginning of each year. In 2007, the Committee held five regular meetings and two special meetings. The Committee has scheduled five regular meetings for 2008.

Committee members generally receive written materials approximately one week prior to each regularly scheduled meeting. In addition to the regularly scheduled meetings, the Committee holds additional meetings when necessary. At the close of each regularly scheduled Committee meeting, the Committee conducts an executive session without management present. When appropriate, the Committee also meets in executive session at the close of special meetings. At the Committee s request, the Committee s external compensation consultant reviews committee meeting materials and attends meetings.

In making changes to our compensation programs, the Committee considers external market, industry and peer company practices. The Committee reviews each element of the executive compensation program annually for continuing appropriateness and reasonableness. In December 2006 and February 2007, the Committee reviewed and approved performance measures and related targets for our annual incentive program. When reviewing awards, the Committee considered our corporate performance for the year and the prior three-year period against the peer group of companies identified as the Comparator Group in the section below entitled Comparative Framework. The Committee also considered our corporate performance compared to our strategic objectives. The Committee reviewed and approved all salary increases and stock incentive grants for officers in December and for other management employees in February. The Committee reviewed and approved equity grants for newly hired and promoted employees as required throughout the year. Committee actions relating to executive salary, incentive awards and long-term compensation, as well as changes to our compensation programs, were submitted to the full Board for ratification and approval.

Role of Executive Officers in Compensation Decisions

The Chief Executive Officer and the Senior Vice President, Human Resources, generally attend meetings of the Committee but are not present in executive sessions the Committee holds nor do they participate in deliberations of their own compensation. With the oversight of the Chief Executive Officer and the Senior Vice President, Human Resources, our human resources group formulates recommendations to the Committee on matters of compensation philosophy and design, as well as specific recommendations for executive compensation. The Chief Executive Officer annually reviews with the Committee the performance of each executive officer (other than himself) and presents compensation recommendations based on these reviews to the Committee. The Committee reviews these recommendations with its external compensation consultant and exercises its discretion in adopting, rejecting or changing compensation proposals for executives other than the Chief Executive Officer. The Committee recommends compensation proposals for all Named Executive Officers, including the Chief Executive Officer, to the full Board for its approval.

The Committee employs a formal rating process to evaluate the Chief Executive Officer s performance. As part of this process, the Committee reviews financial and other relevant data related to the performance of the Chief Executive Officer at each meeting of the Board throughout the year. At the end of the year, each independent director provides an evaluation and rating of the Chief Executive Officer s performance in various categories. The Committee Chair submits a consolidated rating report and the Committee s recommendations regarding the Chief Executive Officer s compensation to the independent directors for review and ratification. The Lead Director chairs a discussion with independent Board members without the Chief Executive Officer present. From that discussion, the Committee finalizes the Chief Executive Officer s performance rating. The Committee Chair and the Lead Director review the final rating results and commentary with the Chief Executive Officer. The Committee takes the performance rating and financial data into account in the Board s adoption of goals and objectives for the Chief Executive Officer for the following year.

Setting Executive Compensation

The Committee recognizes the importance of maintaining sound principles for developing and administering compensation and benefits programs. The Committee seeks to carry out its responsibilities by:

holding executive sessions (without management present) at every regular Committee meeting;

requiring clear communication of compensation policy and actions to employees and the shareholders;

annually reviewing detailed tally sheets of executive compensation for all executive officers; and establishing appropriate guidelines for executive change-in-control agreements.

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In addition, the Committee retains an external compensation consultant (the Compensation Consultant) to advise the Committee on executive compensation issues. The Compensation Consultant provided no services to our company other than those commissioned by the Committee. The Committee provides the Compensation Consultant with preliminary instructions regarding the goals of our compensation program and the parameters of the competitive review of our executive compensation programs to be conducted by the Compensation Consultant. The Compensation Consultant provides the Committee with comparative market data on position-specific compensation structures, policies and programs based on analyses of relevant survey data and of the practices of the Comparator Group defined below under the heading Comparative Framework. The Compensation Consultant also provides guidance on industry best practices and advises the Committee in determining base salary ranges, equity compensation thresholds and incentive compensation opportunity ranges for each senior executive position. In October 2007, Hewitt Associates replaced Buck Consulting as the Committee s Compensation Consultant.

Comparative Framework

In making its recommendations to the Board concerning executive officer compensation, the Committee annually reviews and evaluates our corporate performance and our executive officers compensation and equity ownership. The Committee also obtains and reviews comparative data from the Compensation Consultant and a number of third-party sources, including proxy statements, publicly available information and surveys by consulting firms.

The Committee uses external competitive benchmarks that it believes support the guiding principles outlined above for each element of compensation. For 2007, the market for assessing compensation was defined as companies with revenue comparable to ours (revenues of approximately $1 billion $6 billion), publicly traded, headquartered in the U.S., and engaged in one or more manufacturing sectors (the Comparator Group). The Committee identified these companies as our Comparator Group based upon the analysis and recommendations of the Compensation Consultant. The Comparator Group consisted of business competitors, similarly structured broadly diversified organizations, and competitors for executive talent: American Standard, Inc., Amphenol Corporation, Cooper Industries LTD, Crane Company, Danaher Corporation, Donaldson Corporation, Inc., Dover Corporation, Eaton Corporation, Flowserve Corporation, Hubbell Inc., ITT Industries, Inc., Jacuzzi Brands, Pall Corporation, Parker Hannifin Corporation, Rockwell Automation, Inc., A.O. Smith Corporation, SPX Corporation, Thomas & Betts Corporation.

2007 Program Elements

For the fiscal year ended December 31, 2007, the principal components of compensation for Named Executive Officers were:

Base salary;

Annual incentive compensation plans;

Long-term equity incentive compensation;

Retirement and other benefits; and

Perquisites and other personal benefits.

Base Salaries

We provide Named Executive Officers and other employees with a fixed salary. Focusing on the market value of each job, the Committee s goal is to target the 50^{th} percentile (the Midpoint) of the Comparator Group for executives base salary ranges. The Committee developed salary ranges for each Named Executive Officer. The Midpoint of the range is set each year at the 50^{th} percentile of the market data. Market data include published survey data and proxy data for our Comparator Group. The Committee establishes each Named Executive Officer s salary within a range of 20% of the Midpoint. Differences in base salaries among the Named Executive Officers and the extent to which a Named Executive Officer s base salary is set at a level other than the Midpoint are decided by the Committee based on various factors, including competitive conditions for the Named Executive Officer s position within the Comparator Group and in the broader employment market, as well as the Named Executive Officer s length of employment, level of responsibility, experience and individual performance. For each Named Executive Officer, the Committee determined 2007 base salaries in accordance with the Committee s guideline of establishing Named Executive Officers base salaries at approximately the 50th percentile of our Comparator Group.

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Annual Incentive Compensation Plan

To balance the objective of providing competitive compensation to attract and retain top talent with the objective of linking pay to annual performance, we pay a portion of our executives cash compensation as incentive compensation tied to annual business performance as measured by year over year improvement. We pay cash incentive compensation under one of two annual incentive plans, the Executive Officer Performance Plan (EOPP) and the Management Incentive Plan (MIP). The Committee has the sole discretion to determine in which plan eligible employees participate. Whereas the terms of the MIP permit the Committee to increase or decrease executives formula-derived incentive compensation, the Committee has no discretion to increase formula-derived incentive compensation under the EOPP. For 2007, the only participants in the EOPP were the executive officers and the president of one of our global business units.

For each EOPP participant, the Committee determined a percentage of that executive s base salary as a targeted level of incentive compensation opportunity, based on the Committee s review of the Compensation Consultant s recommendations, relevant survey data and, in the case of Named Executive Officers other than the Chief Executive Officer, the recommendations of the Chief Executive Officer. Differences in target levels of incentive compensation opportunity among the Named Executive Officers are decided by the Committee based on various factors, including competitive conditions for the Named Executive Officer s position within the Comparator Group and in the broader employment market, as well as the Named Executive Officer s length of employment, level of responsibility and experience. An executive s base salary times the incentive compensation opportunity percentage establishes the target incentive compensation for which he or she is eligible. The Committee determined incentive compensation targets in 2007 for all Named Executive Officers other than Mr. Harrison who retired in February 2007. These incentive compensation targets were as follows:

	Target as a Percent of Salary	Target in Dollars
Randall J. Hogan	150%	$1,447,500
John L. Stauch	80%	306,292
Michael V. Schrock	100%	517,000
Louis L. Ainsworth	60%	218,216
Frederick S. Koury	60%	222,703
Richard J. Cathcart	100%	331,904

Actual incentive compensation awarded to each Named Executive Officer may range from 0 to 2 times the target, depending on actual company and individual performance, as described below. The Committee approves business goals (described below) for each year and sets each executive s incentive compensation opportunity so that if we attain targeted year-over-year overall or division-level performance goals, annual cash incentive levels will be between the 50th and 75th percentiles of our Comparator Group. If we attain superior performance levels, cash incentive compensation will exceed the 75th percentile of the Comparator Group; if we do not attain any of the targeted performance goals, cash incentive compensation will be between zero and the 50th percentile of our Comparator Group.

To establish the performance measures and related targets applied to EOPP payments for the Named Executive Officers, the Committee examined goals that were recommended by the Chief Executive Officer, after consultation with the Chief Financial Officer and certain other executive officers, and that were based solely on objectively determinable financial performance measures. The Committee then assessed these recommendations in light of comparable data of the Comparator Group and relevant survey data. In February 2007, the Committee established the performance goals for 2007 for both the EOPP and the more broadly-based MIP, which the Board then ratified. The EOPP performance goals, which applied to all Named Executive Officers other than Mr. Harrison who retired in February 2007, consisted of four quantitative measures:

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Organic revenue growth, which means the increase in net sales compared to 2006 but excluding the effect of acquisitions and divestitures. For all Named Executive Officers, the 2007 EOPP organic revenue growth performance target was 6% organic revenue growth for Pentair, Inc.

Free cash flow conversion rate, which means the percentage of net income that is converted into free cash flow. Free cash flow means cash from operating activities less capital expenditures, including both continuing and discontinued operations, plus proceeds from sale of property and equipment. For all Named Executive Officers, the 2007 EOPP performance target was the conversion of 100% of the free cash flow of Pentair, Inc.

ROIC, which means return on invested capital, calculated on a pre-tax basis. For all Named Executive Officers, the 2007 EOPP performance target for ROIC was 14.2% as applied to Pentair, Inc.

Increase in earnings before interest, depreciation and amortization (EBITDA), which means the increase in EBITDA compared to 2006. For all Named Executive Officers, the 2007 EOPP performance target was a 2% increase in the EBITDA of Pentair, Inc.

To provide an added performance incentive, the Committee determined that the amount of incentive compensation related to each performance measure other than EBITDA would be scaled according to the amount by which the measure exceeded or fell short of the target. In the case of each of these three performance measures, the amount of incentive compensation is scaled according to a formula that is based solely on our corporate performance and is not subject to adjustment or discretion. The Committee determined that the portion of each Named Executive Officer s incentive compensation related to the EBITDA performance measure would be paid only if the EBITDA target had been met. The Committee has the discretion to reduce the incentive compensation amount related to the EBITDA performance measure based on its assessment of the individual participant s performance and the Chief Executive Officer s recommendations regarding the performance of the Named Executive Officers.

Our Chief Executive Officer and each EOPP participant together establish individual performance goals for the year. The Committee and the Chief Executive Officer establish the Chief Executive Officer s individual goals. The Committee uses those individual goals, along with other factors in its judgment, to determine whether to reduce the amount the participant would otherwise receive under the EOPP.

The Committee determined that, for 2007, the performance measures applied to EOPP payments for all Named Executive Officers were to be weighted as follows: organic revenue growth: 25%; free cash flow conversion rate: 25%; ROIC: 30%; and EBITDA: 20%. The actual incentive compensation of each Named Executive Officer was determined by multiplying the eligible incentive compensation amount by the multiplier determined as noted above based on corporate performance in 2007 against the targets set.

We pay EOPP awards in cash following the final audit of the year s performance and the approval of the Committee and the Board. In February 2008, the Committee certified performance against 2007 goals. For 2007, for all Named Executive Officers, the measures for free cash flow, ROIC and EBITDA exceeded the respective targets and the measure for organic revenue growth fell below target. The Committee then reviewed the Chief Executive Officer s assessment of each individual Named Executive Officer s performance against the individual goals established for that officer. The Committee determined that the individual performance of each Named Executive Officer in 2007 met or exceeded expectations. Based on this determination, the Committee exercised its discretion in granting awards based on individual performance of each Named Executive Officer, resulting in EOPP awards reflected in the table below as 2007 incentive compensation. These amounts are shown in the Summary Compensation Table, columns (d) Bonus and (g) Non-Equity Incentive Plan Compensation on page 24.

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The following table shows the actual salary and incentive compensation earned by Named Executive Officers in 2005, 2006 and 2007:

		Salary	Incentive compensation
Randall J. Hogan	*2007*	$965,000	$1,814,876
	2006	945,000	510,584
	2005	900,000	1,289,925
John L. Stauch	*2007*	382,865	384,029
Michael V. Schrock	*2007*	517,000	648,215
	2006	444,034	247,333
	2005	395,900	412,342
Louis L. Ainsworth	*2007*	363,693	262,688
	2006	363,693	78,601
	2005	353,100	234,211
Frederick S. Koury	*2007*	371,171	279,225
David D. Harrison	*2007*	74,091	0
	2006	444,548	128,101
	2005	431,600	329,915
Richard J. Cathcart	*2007*	331,904	366,355
	2006	495,000	178,299
	2005	472,517	447,945

Long-term Equity Incentive Compensation

The Committee emphasizes executive compensation that is tied to building and sustaining our company s value through stock performance over time. We provide equity-based compensation to our executives to further the objectives of:

- motivating and rewarding executives through share price appreciation;
- encouraging innovation and growth; and
- aligning management and shareholder interests.

In keeping with this philosophy, the Committee sets target opportunities under the long-term incentive program to fall between the 50th and 75th percentiles of ongoing long-term incentive values granted in the market, which the Committee assesses based on both published survey data and data from our Comparator Group. If we build and sustain long-term shareholder value through superior performance, ongoing long-term incentive values may exceed the 75th percentile of our Comparator Group.

The Committee awards long-term incentive compensation in the form of stock options and restricted stock. Each year, the Committee uses benchmark data (including compensation surveys, Comparator Group information, and other data provided by the Compensation Consultant) to set competitive target dollar award levels for each individual Named Executive Officer and for each position or grade level. Differences in target dollar award levels among the Named Executive Officers are decided by the Committee based on various factors, including competitive conditions for the Named Executive Officer s position within the Comparator Group and in the broader employment market, as well as the Named Executive Officer s length of employment, level of responsibility, experience and individual performance. Individual awards generally range between 80 and 120 percent of target award level, with actual award amounts determined by the Committee based on its assessment of both the executive s individual performance against his or her individual performance goals in the previous year and company performance in the previous year against our strategic plan.

Awards consist of both stock options and restricted stock. In 2007, awards to Named Executive Officers and other key executives were delivered as a mix of approximately two-thirds of their total award value in stock options and one-third in restricted stock. The Committee determined this mix based on market data provided by the Compensation Consultant for comparable positions and functions. The Committee determines the value of options using the Black-Scholes valuation method. The number of restricted shares is derived from the average fair market value of the stock during the month preceding the date on which awards are determined. To provide a cap on the actual number of stock options and restricted shares granted for the year, the Committee establishes a total target dollar value of all awards to establish a fixed pool of shares and options to be distributed among all executives participating in the MIP or EOPP that year.

Options vest one-third in each year on the first, second and third anniversary of the date of grant and expire ten years from the date of grant. The restricted shares granted in 2007 vest in one-half increments on the third and fourth anniversaries of the date of grant. The value of restricted stock and options granted to the Named Executive Officers in 2007 is reflected in the Grants of Plan-Based Awards Table on page 26. The value of restricted stock that vested for each Named Executive Officer in 2007 (reflecting grants made to them in 2002, 2003 and 2004) and the value of options exercised by each Named Executive Officer in 2007 are shown in the Option Exercises and Stock Vested Table on page 30.

The Committee reviews and approves all stock option and restricted stock grants for executive officers in December of each year. These grants are effective on the first business day on which the stock market is open following January 1st. For all other recipients, the Committee reviews and approves grants in February, to be effective March 1st or the first business day on which the stock market is open following March 1st. The Committee reviews and approves all equity awards to newly hired or promoted executives at regular meetings throughout the year. As a rule, the Committee grants awards to newly hired or promoted executives that are effective the earlier of the 15th day of the month following the date of hire or promotion or the 15th day of the month following the date of the Committee meeting at which the grant is approved. The Committee has also given the Committee Chair and the Chief Executive Officer discretion to grant equity awards to newly hired or promoted executives as required throughout the year, within the guidelines of the long-term incentive plan. The Committee then ratifies these grants at its next meeting. All options are granted at fair market value based on the closing stock price on the effective day of grant.

Stock Ownership Guidelines

The Committee and the Board have established stock ownership guidelines for the Named Executive Officers and other executives to motivate them to become significant shareholders and to further encourage long-term performance and growth. The Committee monitors our executives compliance with these stock ownership guidelines and periodically reviews the definition of stock ownership to reflect the practices of companies in the Comparator Group. For 2007, stock ownership included stock owned by the officer both directly and indirectly, the pro-rated portion of unvested restricted stock, and shares held in our employee stock ownership plan or our employee stock purchase plan. The Committee determined that, over a period of five years from appointment, key employees should accumulate and hold common stock equal to a multiple of base salary as follows:

Executive Level	**Stock Ownership Guidelines (as a multiple of salary)**
Chief Executive Officer	5x base salary
President, Chief Operating Officer Executive Vice President and Chief Financial Officer	3x base salary
Senior Vice President, Human Resources Senior Vice President and General Counsel President, Filtration Chief Accounting Officer	2.5x base salary
Other key executives	2x base salary

Stock Ownership for the Currently-Serving Named Executive Officers as of December 31, 2007

	Share Ownership	**12/31/07 Market Value**	**Ownership Guideline**	**Meets Guideline**
Randall J. Hogan	476,176	$16,575,687	$4,825,000	Yes
John L. Stauch	4,760	165,696	1,290,000	No(1)

Michael V. Schrock	79,809	2,778,151	1,551,000	Yes
Louis L. Ainsworth	137,719	4,793,998	909,233	Yes
Frederick S. Koury	35,899	1,249,644	927,928	Yes

(1) Mr. Stauch joined the Company on February 12, 2007, and will have five years from his appointment to meet the stock ownership requirement.

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Retirement and Other Benefits

The Named Executive Officers and other executives and employees participate in the Pentair, Inc. Pension Plan, the Pentair Retirement Savings and Stock Incentive Plan, the Pentair Supplemental Executive Retirement Plan and the Pentair Restoration Plan. We also provide other benefits such as medical, dental and life insurance and disability coverage to employees, including the Named Executive Officers. We aim to provide employee and executive benefits at levels that reflect competitive market levels at the 50th percentile of similar benefits given by our Comparator Group.

The Pentair, Inc. Pension Plan

The Pentair, Inc. Pension Plan (the Pension Plan) is a funded, tax-qualified, noncontributory defined-benefit pension plan that covers certain employees, including the Named Executive Officers. Participation in the Pension Plan is restricted to those Named Executive Officers and other employees who were hired on or before December 31, 2007. Benefits under the Pension Plan are based upon an employee s years of service and highest average earnings in any five-year period during the ten-year period preceding the employee s retirement (or, in the case of an employee with more than five years but less than ten years of service, during any five-year period preceding the employee s retirement). Benefits under the Pension Plan are payable after retirement in the form of either an annuity or a lump sum.

Compensation covered by the Pension Plan for the Named Executive Officers equals the amounts set forth in the Salary column of the Summary Compensation Table on page 24 and 2006 incentive compensation paid in March 2007 set forth in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table on page 24. The amount of annual earnings that may be considered in calculating benefits under the Pension Plan is limited by law. For 2007, the annual limitation was $225,000.

Benefits under the Pension Plan are calculated as an annuity equal to the sum of:

1.0 percent of the participant s highest final average earnings multiplied by years of service; and

0.5 percent of such earnings in excess of Primary Social Security compensation.

Years of service under these formulas cannot exceed 35. Contributions to the Pension Plan are made entirely by us and are paid into a trust fund from which the benefits for all participants will be paid.

The Pentair Supplemental Executive Retirement and Restoration Plan

The Pentair Supplemental Executive Retirement Plan (SERP) and the Pentair Restoration Plan (Restoration Plan) are unfunded, nonqualified defined benefit pension plans for all executive officers and other key executives selected by the Committee. Benefits under these two Plans vest upon the completion of five years of benefit service (all service following initial participation). These Plans are combined for all administrative, accounting and other purposes. The Named Executive Officers all participate in the SERP and the Restoration Plan. Messrs. Hogan, Schrock and Ainsworth are fully vested in these Plans. Messrs. Stauch and Koury are not yet vested.

Benefits under the SERP are based upon the number of an employee s years of service following initial participation and the highest average earnings for a five calendar-year period (ending with retirement). Benefits are payable after retirement in the form of either a 15-year certain annuity or joint and survivor annuity. Compensation covered by the SERP and the Restoration Plan for the Named Executive Officers equals the amounts set forth in the 2007 Salary and Non-Equity Incentive Plan Compensation columns of the Summary Compensation Table on page 24.

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Benefits under the SERP are calculated as:

- final average compensation as defined above; multiplied by

- benefit service percentage, which equals 15% times years of benefit service;

The resulting lump-sum value is converted into the form of an annuity selected by the participant.

The Restoration Plan is designed to provide retirement benefits based on compensation earned by participants in excess of the annual limitation. Only executive officers and key executives hired on or before December 31, 2007 are eligible to participate in the Restoration Plan. As discussed above, the Pension Plan limits retirement benefits for compensation earned in excess of the applicable limitation in any year. For 2007, this annual limitation was $225,000.

The only participants in the Restoration Plan are those executive officers and other selected key leaders who participate in the SERP. Restoration Plan benefits are combined and administered with those payable under the SERP and are paid in the same manner and at the same time.

Benefits under the Restoration Plan are calculated as:

- final average compensation as defined above, less compensation below the annual limitation amount in each year; multiplied by

- earned benefit service percentage (which is weighted based on age at the time of service), in accordance with the following table:

Service Age	Percentage
Under 25	4%
25-34	5.5%
35-44	7%
45-54	9%
55 or over	12%

The benefit percentages calculated above are added and the resulting percentage is multiplied by the covered compensation amount. The resulting lump-sum value is converted into the form of an annuity selected by the participant under the SERP.

The present value of the combined accumulated benefits for the Named Executive Officers under both the SERP and the Restoration Plan is set forth in the Pension Benefits table on page 30.

The Pentair Retirement Savings and Stock Incentive Plan

The Pentair Retirement Savings and Stock Incentive Plan (RSIP/ESOP Plan) is a tax-qualified 401(k) retirement savings plan, with a companion Employee Stock Ownership Plan (ESOP) component. Participating employees may contribute up to 50 percent of base salary and incentive compensation on a before-tax basis and 15 percent of compensation on an after-tax basis, into their 401(k) plan (RSIP). We match an amount equal to 50 cents for each dollar contributed to the RSIP by participating employees on the first five percent of their regular earnings. In addition, we contribute to the ESOP an amount equal to 1 $^{1}/2$ % of cash compensation (salary and incentive compensation) for each participant in the RSIP, to incent employees to make contributions to our retirement plan. The RSIP/ESOP Plan limits the amount of cash compensation considered for contribution purposes to the maximum imposed by Internal Revenue Code Section 401(a)(17), which was $225,000 in 2007.

Participants in the RSIP/ESOP Plan are allowed to invest their account balances in a number of possible mutual fund investments. Our common stock is not a permitted investment choice under the Plan. Fidelity Investments Institutional Services Co. provides these investment vehicles for participants and handles all allocation and accounting services for the Plan. We do not guarantee or subsidize any investment earnings under the Plan. We make ESOP contributions in our Common Stock. However, participants may sell and immediately reinvest stock contributions within the RSIP/ESOP Plan in other investment vehicles offered under the RSIP/ESOP Plan.

Amounts deferred, if any, under the Pentair RSIP/ESOP Plan by the Named Executive Officers are included in the Salary and Non-Equity Incentive Plan Compensation columns of the Summary Compensation Table on page 24. Pentair matching contributions allocated to the Named Executive Officers under the RSIP/ESOP Plan are included in the All Other Compensation column of the Summary Compensation Table.

Medical, Dental, Life Insurance and Disability Coverage

Employee benefits such as medical, dental, life insurance and disability coverage are available to all U.S.-based participants through our active employee plans. In addition to these benefits to active employees, we provide post-retirement medical, dental and life insurance coverage to certain retirees in accordance with the legacy company plans which applied at the time the employees were hired. We provide up to one and a half times annual salary (up to $2,000,000) in life insurance, and up to $10,000 per month in long-term disability coverage. The cost of the active employee and post-retirement company-provided benefits in 2007 for the Named Executive Officers was as follows:

Officer	Cost of Benefits
Hogan	$12,985
Stauch	$10,753
Schrock	$12,526
Ainsworth	$ 9,155
Koury	$12,010
Harrison	$ 1,467
Cathcart	$12,468

The value of these benefits is not required to be included in the Summary Compensation Table since they are made available to all of our U.S. salaried employees.

Other Paid Time-Off Benefits

We also provide vacation and other paid holidays to all employees, including the Named Executive Officers, which we have determined to be comparable to those provided at other large companies.

Deferred Compensation

We sponsor a non-qualified deferred compensation program, called the Sidekick Plan, for our U.S. executives within or above the pay grade that has a median annual salary of $107,600 in 2007 and $111,900 in 2008. This plan permits executives to defer up to 25% of their base salary and 100% of their annual cash incentive compensation. We make contributions to the Sidekick Plan on behalf of participants similar to our contributions under the RSIP/ESOP Plan with respect to each participant s contributions from that portion of his or her income above the maximum imposed by Internal Revenue Code Section 401(a)(17), which was $225,000 in 2007, but below the Sidekick Plan s compensation limit of $700,000.

Participants in the RSIP/ESOP Plan and the Sidekick Plan are allowed to invest their account balances in a number of possible mutual fund investments. Fidelity Investments Institutional Services Co. provides these investment vehicles for participants and handles all allocation and accounting services for these Plans. We do not guarantee or subsidize any investment earnings under either Plan. Our common stock is not a permitted investment choice under either Plan.

Amounts deferred, if any, under the Sidekick Plan by the Named Executive Officers are included in the Salary and Non-Equity Incentive Plan Compensation columns of the Summary Compensation Table on page 24. Our contributions allocated to the Named Executive Officers under the Sidekick Plan are included in the All Other Compensation column of the Summary Compensation Table.

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Perquisites and Other Personal Benefits

We provide Named Executive Officers with a perquisite program (the Pentair, Inc. Flexible Perquisite Program or the Flex Perq Program) under which the Named Executive Officers receive a cash perquisite allowance in an amount that management and the Committee believe are customary, reasonable and consistent with our overall compensation program to better enable us to attract and retain superior employees for key positions. The Committee periodically reviews market data provided by the Compensation Consultant to assess the levels of perquisites provided to Named Executive Officers.

For 2007, the total aggregate annual allowance under the Flex Perq Program was $35,000 for the Chief Executive Officer and the President and Chief Operating Officer and $30,000 for all other participants. In addition to the allowance provided under the Flex Perq Program, we provided reimbursement for annual executive physicals for three Named Executive Officers. We also provided Mr. Koury with the imputed value resulting from the purchase of a company vehicle in connection with the dissolution of the company-leased vehicle program at the end of the first quarter of 2007 and, until the time of such purchase, with reimbursement for costs associated with gas, maintenance, insurance associated with the leased automobile and personal use of the leased automobile.

These amounts are included in the Summary Compensation Table, in the column labeled All Other Compensation, on page 24 and are set forth in more detail in footnote 5 to that table.

Severance and Change-in-Control Benefits

We provide the certain severance and change-in-control benefits to certain of our executives to provide for continuity of management upon a threatened or completed change in control. These benefits are designed to provide economic protection to key executives following a change in control of our company so that our executives can remain focused on our business without undue personal concern. We believe that the security that these benefits provide helps our key executives to remain focused on our on-going business and reduces the key executive s concerns about future employment. We also believe that these benefits allow our executives to consider the best interests of our company and its shareholders due to the economic security afforded by these benefits.

We provide the following severance and change-in-control benefits:

- We have entered into agreements with our key corporate executives and other key leaders (including all Named Executive Officers) that provide for contingent benefits upon a change in control.

- The EOPP and the MIP each provide that, upon a change in control, each EOPP or MIP participant is entitled to receive any outstanding and unpaid award for the year before the change of control as well as an award for the then-current year calculated on the basis of the executive s base salary immediately before the change of control and assuming that the year s EOPP or MIP targets have been attained.

- The Omnibus Stock Incentive Plan provides that, upon a change in control, all outstanding options granted under the Plan that are unvested become fully vested.

- The Omnibus Stock Incentive Plan provides that, upon a change in control, all restrictions applicable to outstanding shares of restricted stock granted under the Plan shall automatically lapse and any dividends declared but unpaid with respect to such restricted stock shall be paid to the executive within ten days of the date of the change of control.

- Upon certain types of terminations of employment (other than a termination following a change in control), severance benefits may be paid to the Named Executive Officers at the discretion of the Committee.

We explain these benefits more fully under Potential Payments Upon Termination Or Change In Control on page 32.

Retention Agreements

We entered into a Confidentiality and Non-Competition Agreement dated as of January 6, 2005, with Michael Schrock, our President and Chief Operating Officer. The Confidentiality and Non-Competition Agreement requires Mr. Schrock to devote his full-time and energy to furthering our business and prohibits Mr. Schrock, during or after his term of employment, from disclosing or using for his own benefit or the benefit of another confidential information that he may learn or acquire during his employment. The Confidentiality and Non-Competition Agreement also contains a covenant against competition by Mr. Schrock for two years following his last day of employment with us. It does not contain severance provisions.

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Impact of Tax Considerations

Section 162(m) of the Internal Revenue Code places a limit of $1,000,000 on the amount of compensation that we may deduct in any one year with respect to each of our five most highly paid executive officers. There is an exception to the $1,000,000 limitation for performance-based compensation meeting certain requirements. Annual cash incentive compensation generally is performance-based compensation meeting those requirements and, as such, is fully deductible. To maintain flexibility in compensating executive officers in a manner designed to promote varying corporate goals, the Committee has not adopted a policy requiring all compensation to be deductible.

The Committee also considers the impact of other tax provisions, such as the restrictions on deferred compensation set forth in Section 409A of the Internal Revenue Code, and attempts to structure compensation in a tax-efficient manner, both for the Named Executive Officers and for our company.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis set forth above with management and, 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 by reference into our Annual Report on Form 10-K for the year ended December 31, 2007.

THE COMPENSATION COMMITTEE:
David A. Jones, Chair
T. Michael Glenn
Barbara B. Grogan
Charles A. Haggerty
William T. Monahan

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EXECUTIVE COMPENSATION
SUMMARY COMPENSATION TABLE

The table below summarizes the total compensation paid to or earned by each of the Named Executive Officers for the fiscal years ended December 31, 2006 and 2007.

(a) Name and Principal Position	(b) Year	(c) Salary ($)	(d) Bonus ($)	(e) Stock Awards ($) (1)	(f) Option Awards ($) (2)	(g) Non-Equity Incentive Plan Compensation ($) (3)	(h) Change in Pension Value and Non-Qualified Deferred Compensation Earnings ($) (4)	(i) All Other Compensation ($) (5)	(j) Total Compensation ($)
Randall J. Hogan *Chairman and Chief Executive Officer*	2007	965,000	0	2,072,484	3,557,378	1,814,876	643,468	200,209	9,253,415
	2006	945,000	0	2,141,325	2,385,230	510,584	576,423	237,275	6,795,837
John L. Stauch (6) *Executive Vice President and Chief Financial Officer*	2007	382,865	0	156,740	626,548	384,029	207,697	47,978	1,805,857
Michael V. Schrock *President and Chief Operating Officer*	2007	517,000	0	1,390,452	1,174,749	648,214	321,697	141,004	4,193,116
	2006	444,034	0	992,776	716,669	247,333	350,682	173,712	2,925,206
Louis L. Ainsworth *Senior Vice President, General Counsel and Secretary*	2007	363,693	0	403,667	777,254	262,688	152,166	73,930	2,033,398
	2006	363,693	0	435,665	760,778	78,601	186,069	124,503	1,949,309
Frederick S. Koury *Senior Vice President, Human Resources*	2007	371,171	0	301,428	525,039	279,225	108,042	87,175	1,672,080
David D. Harrison (7) *Executive Vice President and*	2007	74,091	0	95,135	69,114	0	(143,784)	54,226	148,782
	2006	444,548	0	895,999	1,396,116	128,101	204,739	125,684	3,195,187

Chief Financial Officer									
Richard J. Cathcart (8)	2007	331,904	366,355	464,320	806,070	0	355,036	686,633	3,010,318
Vice Chairman	2006	495,000	0	522,343	1,219,900	178,299	372,525	102,064	2,890,131

(1) The amounts in column (e) reflect that portion of the dollar amount of awards of restricted stock pursuant to the Omnibus Stock Incentive Plan that we recognized for financial statement reporting purposes in accordance with SFAS No. 123(R)(revised 2004) *Share Based Payment* (FAS 123(R)) for the fiscal year ended December 31, 2007 (disregarding the estimate of forfeitures related to service-based vesting). Based on this methodology, the amounts in column (e) may include amounts from awards granted in and prior to 2007. Assumptions used in the calculation of these amounts are included in footnote 13 to our audited financial statements for the fiscal year ended December 31, 2007 included in our Annual Report on Form 10-K filed with the Securities

and Exchange Commission on February 26, 2008.

(2) The amounts in column (f) reflect that portion of the dollar amount of awards of stock options pursuant to the Omnibus Stock Incentive Plan that we recognized for financial statement reporting purposes in accordance with FAS 123(R) for the fiscal year ended December 31, 2007 (disregarding the estimate of forfeitures related to service-based vesting). Based on this methodology, the amounts in column (f) may include amounts from awards granted in and prior to 2007. Assumptions used in the calculation of these amounts are included in footnote 13 to our audited financial statements for the fiscal year ended December 31, 2007 included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 26, 2008.

(3) The amounts in column (g) reflect the cash awards to

the named individuals pursuant to awards under the EOPP in 2007 which were determined by the Committee at its February 25, 2008 meeting and, to the extent not deferred by the executive, paid shortly thereafter.

(4) The amounts in column (h) reflect the increase in the actuarial present value of the Named Executive Officer s accumulated benefits under all of our pension plans determined using interest rate and mortality rate assumptions consistent with those used in our financial statements.

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(5) Column (i) reflects a severance payment of $495,000 to Mr. Cathcart pursuant to the terms of his Employment Agreement. The table below shows all other components of this column, which include perquisites and other personal benefits; the company match under the Sidekick Plan, RSIP/ESOP Plan and the Employee Stock Purchase Plan; company-paid life insurance premiums; and dividends on restricted stock awards:

Name	(i) **Perquisites under the Flex Perq Program ($)(a)**	(ii) **Other Perquisites and Personal Benefits ($)**	(iii) **Matches under Defined Contribution Plans ($)**	(iv) **Matches under the Employee Stock Purchase Plan ($)**	(v) **Life Insurance Premiums ($)**	(vi) **Dividends on Restricted Stock Awards ($)**
Mr. Hogan (b)	35,000	1,069	28,125	0	2,332	133,683
Mr. Stauch	30,000	0	8,292	0	1,248	8,438
Mr. Schrock (b)	35,000	3,300	29,225	2,250	1,873	69,376
Mr. Ainsworth	30,000	0	24,418	0	1,273	18,240
Mr. Koury (c)	30,000	9,166	23,684	2,250	1,375	20,700
Mr. Harrison (d)	5,000	14,831	27,611	375	265	6,144
Mr. Cathcart (b, e)	30,000	99,184	35,475	1,594	1,307	24,167

(a) The amount shown in column (i) for each individual reflects amounts paid to or for the benefit of each Named Executive Officer under the Flex Perq Program, which is designed to provide corporate officers and other key executives with an expense allowance for certain personal and business-related benefits.

(b) The amounts shown in column (ii) for Messrs. Hogan, Cathcart and Schrock include reimbursement for costs associated with an annual executive physical for Messrs. Hogan, Cathcart and Schrock in the amounts of $1,069, $387 and $3,300, respectively.

(c) The amount shown in column (ii) for Mr. Koury reflects reimbursement to Mr. Koury through the end of the first quarter of 2007 for costs associated with gas, maintenance and insurance associated with personal use of a company-leased automobile in the amount of $2,969. The amount shown in column (ii) also includes the imputed value of $6,197 resulting from Mr. Koury s purchase of a company vehicle in connection with the dissolution of the company-leased vehicle program in the first quarter of 2007.

(d) The amount shown in column (ii) for Mr. Harrison includes a retirement gift for Mr. Harrison with a value in the amount of $14,831.

(e) The amount shown in column (ii) for Mr. Cathcart includes a retirement gift for Mr. Cathcart with a value in the amount of $49,297 and a payment for outplacement services in the amount of $49,500.

(6) Mr. Stauch s employment with us commenced on February 12, 2007.

(7) Mr. Harrison retired on February 28, 2007.

(8) Mr. Cathcart retired on September 1, 2007.

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GRANTS OF PLAN-BASED AWARDS

Estimated Future Payouts Under	Estimated Future Payouts