

PENTAIR INC
Form PRE 14A
March 02, 2007

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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 ☐

Filed by a Party other than the Registrant ☐

Check the appropriate box:

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

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):

- ☐ No fee required.
- ☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- 1) Title of each class of securities to which transaction applies:
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- o Fee paid previously with preliminary materials.
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**PENTAIR, INC.
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held May 3, 2007**

To our Shareholders:

Our Annual Meeting of Shareholders will be held at the Cinema Art Theater of the Walker Art Center, 1750 Hennepin Avenue South, Minneapolis, Minnesota, on Thursday, May 3, 2007, at 10:00 a.m., for the following purposes:

1. to elect [three] directors;
2. to amend our Articles of Incorporation to adopt a majority voting standard for the election of directors;
3. to amend our Articles of Incorporation and our By-Laws to provide for the election of up to eleven directors;
4. to vote upon a proposal put forth by one of our shareholders that we add sexual orientation to our written non-discrimination policy;
5. to vote upon a proposal put forth by one of our shareholders that we issue a sustainability report to shareholders;
6. to ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2007;

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 5, 2007 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.

By Order of the Board of Directors

Louis L. Ainsworth, Secretary

Golden Valley, Minnesota
March 20, 2007

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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Annual Meeting of Shareholders of
PENTAIR, INC.
To Be Held on Thursday, May 3, 2007
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**PROXY STATEMENT
FOR THE
ANNUAL MEETING OF SHAREHOLDERS OF
PENTAIR, INC.
TO BE HELD ON THURSDAY, MAY 3, 2007
Solicitation**

This Proxy Statement, the accompanying proxy card and our Annual Report to Shareholders are being mailed on or about March 21, 2007. 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 by submitting the enclosed proxy card, by telephone or over the Internet, 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.

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 5, 2007.

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

As of March 5, 2007, there were [] 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 as a custodian, 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 2010 Annual Meeting of Shareholders. |
| Proposal 2 | FOR the amendment of our Articles of Incorporation to adopt a majority voting standard for the election of directors. |
| Proposal 3 | FOR the amendment of our Articles of Incorporation and By-Laws to provide for the election of up to eleven directors. |
| Proposal 4 | AGAINST a shareholder proposal that we add sexual orientation to our written non-discrimination policy. |
| Proposal 5 | AGAINST a shareholder proposal that we issue a sustainability report to shareholders. |
| Proposal 6 | FOR the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2007. |

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 or more nominees.

Proposals 2, 3, 4, 5 and 6 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.

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 5, 2007, will constitute a quorum at the Annual Meeting.

What vote is required to approve each proposal?

Proposals 1, 4, 5 and 6 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.

Proposals 2 and 3 each require the affirmative vote of at least 60% of those shares entitled to vote at the Annual Meeting, so long as the negative vote of those shares entitled to vote at the Annual Meeting does not exceed 25%.

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. For proposals 1, 4, 5 and 6, broker non-votes are not counted for purposes of determining the total number of votes cast on proposals presented to shareholders. For proposals 2 and 3, abstentions and broker non-votes are counted neither as votes for the proposal with respect to the 60% approval requirement nor as negative votes with respect to the 25% disapproval

limitation.

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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. Votes are tabulated by our stock transfer agent, Wells Fargo Bank, N.A.

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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 New York Stock Exchange (NYSE). We and our Board continue to be committed to the highest standards of corporate governance and ethics. The Board also 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 27, 2007, 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) Glynis A. Bryan | (6) Ronald L. Merriman |
| (2) Barbara B. Grogan | (7) William T. Monahan |
| (3) Charles A. Haggerty | (8) Karen E. Welke |
| (4) David A. Jones | (9) [nominee] |
| (5) Augusto Meozzi | |

In addition, based on the NYSE standards and categorical standards of independence included in the Corporate Governance Principles, the Board affirmatively determined that: (a) Randall J. Hogan is not independent because he is our Chief Executive Officer; and (b) Richard J. Cathcart is not independent because he is our employee.

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 2006, 2005 and 2004; 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

Glynis A. Bryan	Former Chief Financial Officer, APL Logistics
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Charles A. Haggerty	Director, Beckman Coulter, Inc.
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Charles A. Haggerty	Director, Deluxe Corporation
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William T. Monahan	Director, Hutchinson Technology, Inc.
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	Director, Novelis Inc.
--	------------------------

William T.
Monahan

William T. Former Chief Executive
Monahan Officer, Imation Corp.

Karen E. Director, Millipore
Welke Corporation

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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 2006.
- Members:** The members of the Audit Committee are Ronald L. Merriman (Chair), Glynis A. Bryan, Augusto Meozzi and Karen E. Welke. All members have been determined to be independent under SEC and NYSE rules.
- Report:** You can find the Audit Committee Report on page 47 of this Proxy Statement.
- Charter:** You can find the Audit Committee Charter at: www.pentair.com/audit.html.
- 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 Buck Consultants, 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

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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 six meetings during 2006.

Members: The members of the Compensation Committee are William T. Monahan (Chair), Barbara B. Grogan, Charles A. Haggerty and David A. Jones. 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 five meetings in 2006.

Members: The members of the Governance Committee are Barbara B. Grogan (Chair), Charles A. Haggerty, 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 2006.

Members: The members of the International Committee are Augusto Meozzi (Chair), Richard J. Cathcart, Barbara B. Grogan, Charles A. Haggerty, Randall J. Hogan, William T. Monahan and Karen E. Welke.

Charter: You can find the International Committee Charter at: www.pentair.com/international.html.

Compensation Committee Interlocks and Insider Participation

During 2006, 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

In February 2007, our Board adopted written policies and procedures regarding related person transactions. For purposes of these policies and procedures:

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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 2006. To our knowledge, no related person transactions are currently proposed.

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PROPOSAL 1
Election of Certain Directors

Information About Directors

Board Composition

Our Articles of Incorporation and By-Laws currently provide for a Board of ten 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. There were no such appointments in 2006.

Directors Attendance

The Board held eight meetings in 2006. In five of those meetings, the independent directors also met in executive session, without management, Mr. Hogan or Mr. Cathcart present. Charles A. Haggerty has been appointed by the Board as its Lead Director. Mr. Haggerty acts as its presiding director for all executive sessions of the non-employee directors. 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, 2006. We expect our directors to attend our annual meetings of shareholders. All of the directors attended the annual meeting of shareholders in May 2006.

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, 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;

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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.

Shareholder Nominees

To identify director nominees, the Governance Committee uses a variety of methods, including recommendations by shareholders. Shareholders submitted no candidates for nomination for election as a director to the Governance Committee in connection with the 2007 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, 2008 and no later than February 4, 2008 for consideration at the 2008 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 terms of directors Augusto Meozzi and Karen E. Welke expire at the Annual Meeting. Mr. Meozzi and Ms. Welke have each indicated that they will serve until the end of their terms but will not stand for election for another term. The Board, upon recommendation of the Governance Committee, has nominated [three] persons as candidates to be elected as directors at the upcoming Annual Meeting. The Board has nominated [nominee] and incumbent directors Glynis A. Bryan and William T. Monahan for three-year terms that expire at the 2010 Annual Meeting of Shareholders. Six directors have terms of office that do not expire at this time and will continue to serve their full terms. After the Annual Meeting, there will be one vacancy on the Board. At this time, the Board has not nominated a candidate to fill this vacancy, but the Governance Committee continues its process of identifying qualified candidates. Because that process is not yet complete, there is one fewer nominee for election to the Board than there are available positions on the Board. Regardless of this vacancy, shareholders cannot vote for a greater number of directors than the number nominated in this Proxy Statement.

Directors Standing For Election

For a Three-Year Term Expiring at the 2010 Annual Meeting of Shareholders

Glynis A. Bryan, director since 2003, age 48

Since April 2005, Ms. Bryan has been 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 59

Mr. Monahan serves as the Chair of the Compensation Committee. 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., The Mosaic Company and Novelis Inc.

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[nominee]

Directors Not Standing For Election

With a Term Expiring at the 2008 Annual Meeting of Shareholders

Richard J. Cathcart, director since 2005, age 62

Since February 2005, Mr. Cathcart has served as our Vice Chairman. He served as President and Chief Operating Officer of our Water Technologies Group from January 2001 until January 2005. He was Executive Vice President and President of our Water Technologies Group from February 1996 through December 2000 and Executive Vice President, Corporate Development from March 1995 through January 1996.

Barbara B. Grogan, director since 1996, age 59

Ms. Grogan serves as the Chair of the Governance Committee. She was Chairman and President of Western Industrial Contractors, Inc., a company which she founded specializing in machinery erection and installation, from 1982 to 2004. Ms. Grogan was Chairman of the Board of Directors of the Federal Reserve Bank of Kansas City, Denver Branch, from 1989 to 1994, and currently is a director of the Committee for Economic Development, New York City and Volunteers of America, Colorado.

Ronald L. Merriman, director since 2004, age 62

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.

With a Term Expiring at the 2009 Annual Meeting of Shareholders

Charles A. Haggerty, director since 1994, age 65

Mr. Haggerty serves as the Lead Director. 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 a director of Imation Corp., Beckman Coulter, Inc., Deluxe Corporation and LSI Corp.

Randall J. Hogan, director since 1999, age 51

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.

David A. Jones, director since 2003, age 57

Since 1996, Mr. Jones has been 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.

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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 2010. 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 below will be unable to serve.

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR EACH DIRECTOR NOMINEE.

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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 bonuses and 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 (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 2006 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 2006, the Committee held five regular meetings and one special meeting. The Committee has scheduled five regular meetings for 2007.

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Committee members generally receive written materials 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, Buck Consultants, the Committee's 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 February each year, the Committee reviews and approves performance measures and related targets for our annual incentive program. When reviewing awards, the Committee considers our corporate performance against our peers for the year and the prior three-year period, as well as our corporate performance compared to our strategic objectives. The Committee reviews and approves all salary increases and stock incentive grants for officers in December and for other management employees in February. The Committee reviews and approves equity grants for newly hired and promoted employees as required throughout the year. Committee actions relating to executive salary, bonus and long-term compensation, as well as changes to our compensation programs, are submitted to the full Board for ratification and approval.

Role of Executive Officers in Compensation Decisions

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.

The Chief Executive Officer and the Senior Vice President, Human Resources, generally attend meetings of the Compensation 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 Compensation 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 Buck Consultants and exercises its discretion in adopting or changing compensation proposals for executives other than the Chief Executive Officer. The Committee recommends compensation proposals for the Chief Executive Officer to the full Board for its review, discussion and approval.

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;

- retaining Buck Consultants, an external compensation consultant, to advise on executive compensation issues;

- 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 the fourth quarter of 2005 and first quarter of 2006, the Committee initiated a comprehensive review of our executive compensation programs. As a result of this review, the Committee adjusted the executive base pay structure and long-term incentive programs to more closely align pay for performance and current market practices.

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 Buck Consultants 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 2006, 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 Buck Consultants. The Comparator Group consisted of business competitors, similarly structured broadly diversified organizations, and competitors for executive talent: American Standard, Inc., Amphenol Corporation, Flowserve Corporation, Cooper Industries LTD, Crane Company, Danaher Corporation, Donaldson Corporation, Inc., Dover Corporation, Eaton Corporation, Hubbell Inc., ITT Industries, Inc., Jacuzzi Brands, Pall Corporation, Parker-Hannefin Corporation, Rockwell Automation, Inc., A.O. Smith Corporation, SPX Corporation, Thomas & Betts Corporation.

2006 Program Elements

For the fiscal year ended December 31, 2006, 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 50th 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 at the 50th percentile of the market data. Market data include published survey data and proxy data for our Comparator Group. Based on various factors, including individual performance, experience and level of responsibility, an executive's salary is established within a range of 20% of the Midpoint. The Committee determined the Named Executive Officers' salaries for 2006 in accordance with the Committee's guideline of establishing base salary at approximately the 50th percentile of our Comparator Group.

Annual Incentive Compensation Plan

To balance the objective of providing competitive compensation to attract top talent with the objective of linking pay to annual performance, we pay a portion of our executive's cash compensation as a bonus tied to annual business performance as measured by year over year improvement. We pay cash bonuses 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. For 2006, the only participants in the EOPP were our executive officers; other management personnel participated in the MIP.

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For each EOPP participant, the Committee determined a percentage of that executive's base salary as a targeted level of bonus opportunity. An executive's base salary times the bonus opportunity percentage establishes the target bonus for which he or she is eligible. The target bonuses for the Named Executive Officers for 2006 were as follows:

	Target as a Percent of Salary	Target in Dollars
Randall J. Hogan	150%	\$1,417,500
David D. Harrison	80%	355,638
Michael V. Schrock	1/1/06 9/30/06: 70% 10/01/06 12/31/06: 100%*	350,057
Richard J. Cathcart	100%	495,000
Louis L. Ainsworth	60%	218,216

* Mr. Schrock's bonus opportunity was raised from 70% to 100% following his promotion to President and Chief Operating Officer in September 2006.

Actual bonuses awarded to each Named Executive Officer may range from 0 to 2 times the target, depending on company performance, as described below. The Committee approves business goals (described below) for each year and sets each executive's bonus 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 0 and the 50th percentile of our Comparator Group.

In February 2006, the Committee established the performance goals for 2006 for both the EOPP and the more broadly-based MIP plans, which the Board then ratified. The EOPP performance goals consisted of four quantitative measures:

Organic revenue growth, which means the increase in net sales compared to 2005 but excluding the effect of acquisitions and divestitures;

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;

ROIC, which means return on invested capital, calculated on a pre-tax basis;