

PENTAIR INC  
Form DEF 14A  
March 09, 2012  
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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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(2) Aggregate number of securities to which transaction applies:

(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):

(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

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**PENTAIR, INC.**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**To Be Held April 25, 2012**

To our Shareholders:

Our Annual Meeting of Shareholders will be held at the Thrivent Financial Auditorium, 625 4th Avenue South, Minneapolis, Minnesota, on Wednesday, April 25, 2012, at 10:00 a.m., for the following purposes:

1. to elect three directors;
2. to approve by advisory vote, the compensation of our named executive officers as disclosed in this proxy statement;
3. to ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2012; 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 February 27, 2012 as the record date for determining the shareholders entitled to vote at the Annual Meeting. Accordingly, you are only entitled to vote if you were a shareholder of record at the close of business on that date. Our transfer books will not be closed.

**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 in the accompanying materials and the Notice of Internet Availability of Proxy Materials. Alternatively, you may request a printed proxy to submit your vote as described in the voting instructions in the accompanying materials and the Notice of Internet Availability of Proxy Materials. *Except with respect to shares of our stock you may hold through our Employee Stock Ownership Plan ( ESOP ), you will not receive printed proxy materials unless you request them, as instructed in the Notice of Internet Availability of Proxy Materials. You may vote in person at the Annual Meeting even if you submit your proxy by Internet, phone or mail.***

By Order of the Board of Directors

Angela D. Lageson, Secretary

Minneapolis, Minnesota

March 9, 2012

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**PROXY STATEMENT**  
**FOR THE**  
**ANNUAL MEETING OF SHAREHOLDERS OF**  
**PENTAIR, INC.**  
**TO BE HELD ON WEDNESDAY, APRIL 25, 2012**  
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**PROXY STATEMENT**  
**FOR THE**  
**ANNUAL MEETING OF SHAREHOLDERS OF**  
**PENTAIR, INC.**  
**TO BE HELD ON WEDNESDAY, APRIL 25, 2012**

This Proxy Statement, the accompanying proxy card and our Annual Report to Shareholders are being provided in connection with the solicitation by our Board of Directors (the Board) of 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.

We are mailing the Notice of Internet Availability of Proxy Materials on or before March 16, 2012 to shareholders of record of our Common Stock as of the close of business on February 27, 2012. The Notice of Internet Availability of Proxy Materials instructs shareholders of our Common Stock on how they may access our proxy materials, which include our Proxy Statement and Annual Report, over the Internet. Except with respect to shares you may hold through our Employee Stock Ownership Plan, you will not receive a printed copy of the proxy materials unless you request to receive these materials in hard copy by following the instructions provided in the Notice of Internet Availability of Proxy Materials. Instead, the Notice of Internet Availability of Proxy Materials will instruct you on how you may access and review all of the important information contained in the proxy materials. The Notice of Internet Availability of Proxy Materials also instructs how you may submit your proxy via telephone or the Internet. If you received a Notice of Internet Availability of Proxy Materials by mail and would like to receive a printed copy of our proxy materials, including a printed proxy card on which you may submit your vote by mail, you should follow the instructions for requesting such proxy materials in the Notice of Internet Availability of Proxy Materials.

**QUESTIONS AND ANSWERS ON THE SOLICITATION AND VOTING**

**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 telephone or over the Internet as directed in the Notice of Internet Availability of Proxy Materials or the proxy card or, if you have requested or received a proxy card, by signing and submitting the proxy card by mail.

**Why do I have more than one proxy card?**

You may have multiple proxy cards if you hold your shares in different ways or accounts (for example, 401k accounts, 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 from your broker. You should vote your proxy for each separate account you have.

**Who is qualified to vote?**

You are qualified to receive notice of the Annual Meeting and to vote if you owned shares of our Common Stock at the close of business on our record date of February 27, 2012.

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

As of February 27, 2012, there were 98,738,021 shares of Common Stock outstanding and entitled to vote. Each share of Common Stock is entitled to one vote on each matter presented.

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### **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:

over the telephone;

via the Internet; or

by signing and mailing in the proxy card.

Please refer to the specific instructions set forth in the Notice of Internet Availability of Proxy Materials or on the 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/banker/trustee/nominee will provide you with materials and instructions for voting your shares.

### **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 | <b>FOR</b> the election of three nominees for election to our Board with terms expiring at the 2015 Annual Meeting of Shareholders.  |
| Proposal 2 | <b>FOR</b> approval of the compensation of our named executive officers as disclosed in this proxy statement.  |
| Proposal 3 | <b>FOR</b> the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012. |

### **What are my choices when voting?**

Proposal 1 You may cast your vote in favor of or against electing a nominee as a director, or you may elect to abstain from voting for any or all of the nominees.

Proposal 2 You may cast your vote in favor of or against the proposal, or you may elect to abstain from voting your shares.

Proposal 3 You may cast your vote in favor of or against the proposal, or you may elect to abstain from voting your shares.

### **How will my shares be voted if I do not specify how they should be voted?**

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If you submit your signed 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.

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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 bank or brokerage firm, the bank or brokerage firm has the discretionary authority to vote your shares in connection with the ratification of our independent registered public accounting firm if you do not timely provide your proxy because this matter is considered routine under the New York Stock Exchange ( NYSE ) listing standards. For the election of directors and the proposal on the compensation of our named executive officers, the bank or brokerage firm has no discretionary authority to vote your shares.

If your shares are held in our Employee Stock Ownership Plan and you do not submit a proxy indicating how you want your shares to be voted, Fidelity Management Trust Company (or its designated affiliate) will vote your shares along with all other uninstructed shares in proportion to the voting by Employee Stock Ownership Plan shares for which instructed proxies were received.

### **What if I do not direct the custodian of my shares how to vote my shares?**

If your shares are held by a custodian, such as a bank or brokerage firm, and you do not direct them how to vote, your shares may not be voted at all, or they may be voted only on Proposal 3, ratifying our independent registered public accounting firm for 2012.

*We urge you to carefully consider all of the proposals and direct your custodian to vote your shares as you wish. Your custodian may not vote for or against directors without your direction. We are concerned that smaller shareholders may not direct their custodians to vote their shares, which could result in failure to have sufficient votes represented at our annual meeting to constitute a quorum. In the absence of a quorum, the annual meeting of shareholders could not be held as scheduled, and could be delayed.*

*Further, we believe that the proposals on the ballot for the election of directors and the compensation of our named executive officers are important to our company and its shareholders, and deserve careful consideration and voting by all shareholders.*

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

As of February 27, 2012, 98,738,021 shares of Common Stock were outstanding. A majority of these shares will constitute a quorum at the Annual Meeting.

### **What vote is required to approve each proposal?**

For election of directors, approval by a majority of all votes cast at the Annual Meeting is necessary for the election of each director. For approval of Proposals 2 and 3, each requires the affirmative vote of a majority of those shares present in person or represented by proxy and entitled to vote at the Annual Meeting. Although the outcome of the vote for Proposal 2 is non-binding, the Board and the Compensation Committee of the Board will review and consider the outcome of this vote when making future compensation decisions for our named executive officers.

### **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?**

Shareholders of record may revoke their 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.

If you hold your shares in street name, you must obtain a proxy from your broker, banker, trustee or nominee.

**Who will count the votes?**

Representatives from The Carideo Group, Inc. 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 [http://www.pentair.com/About\\_Corporate\\_Governance.aspx](http://www.pentair.com/About_Corporate_Governance.aspx).

**Board Leadership Structure**

Our Corporate Governance Principles, which can be found at <http://www.pentair.com/resources/images/3609.pdf>, describe our policies concerning:

Selection and Composition of the Board

Board Leadership

Board Composition and Performance

Responsibilities of the Board

Board Relationship to Senior Management

Meeting Procedures

Committee Matters

Leadership Development

We do not have a policy requiring the positions of Chairman of the Board and Chief Executive Officer to be held by different persons. Rather, the Board has the discretion to determine whether or not the positions should be combined or split. Since 2002, our Chief Executive Officer has also been the Chairman of the Board. The Board believes that this leadership structure has worked well for several reasons, among them:

We historically have had a super-majority of independent directors; only one or two officers of our company have served at any one time as directors (out of 10 or 11 members of the Board)

Our independent directors meet in executive session without the Chief Executive Officer present at every regular meeting of the Board

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Our annual Board Assessment process addresses issues of Board structure and director performance

We have and have had since 2003 an independent member of the Board as our Lead Director

Our Lead Directors have served as an effective communication channel between the independent Board members and the Chief Executive Officer and among the independent Board members

Our Lead Director is selected by the Independent Directors on our Board. His role is to provide independent leadership to the Board, act as liaison between the non-management directors and our company, and ensure that the Board operates independently of management. The principle responsibilities assigned to the Lead Director include:

Chairing the Board in the absence of the Chief Executive Officer;

Presiding over all executive sessions of the Board;

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In conjunction with the Chairman of the Compensation Committee, giving annually the Board's performance review of the Chief Executive Officer;

In conjunction with the Chairman, approving the agenda for Board meetings, including scheduling to assure sufficient time for discussion of all agenda items;

In conjunction with the Chairman and Committee Chairs, ensuring an appropriate flow of information to the Directors;

Holding one-on-one discussions with individual directors where requested by directors or the Board; and

Carrying out other duties as requested by the Board.

### **Board's Role in Risk Oversight**

At the direction of our Board of Directors, we have instituted an enterprise-wide risk management system to assess, monitor and mitigate risks that arise in the course of our business. The Board has determined that the Board of Directors as a whole, and not a separate committee, will oversee our risk management process. Each of our Board Committees has historically focused on specific risks within their areas of responsibility, but the Board believes that the overall enterprise risk management process is more properly overseen by all of the members of the Board. Our chief operating officer, general counsel and head of internal audit are the primary personnel responsible to the Board in the planning, assessment and reporting of our risk profile. The Board reviews an assessment of, and a report on, our risk profile twice a year.

### **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, Minneapolis, 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 at each meeting.

#### ***Audit Committee***

**Role:** The Audit Committee is responsible, among other things, for assisting the Board with oversight of our accounting and financial reporting processes, oversight of our financing strategy, investment policies and financial condition, 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 2011.



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**Members:** The members of the Audit Committee are Ronald L. Merriman (Chair), Leslie Abi-Karam, Jerry W. Burris, Charles A. Haggerty 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 under [Audit Committee Report](#) of this Proxy Statement.

**Charter:** You can find the Audit Committee Charter at: <http://www.pentair.com/resources/images/3613.pdf>.

**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 standards.

***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 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 Aon Hewitt (formerly 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 Committee also considers other sources to evaluate external market, industry and peer company practices. Aon Corporation, which merged with Hewitt Associates on October 1, 2010, has traditionally provided insurance brokerage and benefit administrative outsourcing services to us. For the year ended December 31, 2011, we paid Aon Corporation approximately \$2.5 million for these services and Aon Hewitt approximately \$144,000 for executive compensation consulting for the Committee. The decision to engage Aon Corporation for insurance brokerage and benefit administrative outsourcing services was made by management prior to the merger with Hewitt Associates and was not approved by the Board or the Committee. A more complete description of the Committee's practices can be found under [Compensation Discussion and Analysis](#) under the headings [Compensation Committee Practices](#), [Services of Compensation Consultant](#), [Role of Executive Officers in Compensation Decisions](#), [Setting Executive Compensation](#) and [Comparative Framework](#).

**Meetings:** The Compensation Committee held five meetings in 2011.

**Members:** The members of the Compensation Committee are David A. Jones (Chair), Glynis A. Bryan, T. Michael Glenn and William T. Monahan. All members have been determined to be independent under NYSE rules.

**Report:** You can find the Compensation Committee Report under [Compensation Committee Report](#) of this Proxy Statement.

**Charter:** You can find the Compensation Committee Charter at: <http://www.pentair.com/resources/images/3612.pdf>.

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***Governance Committee***

**Role:** The Governance Committee is responsible for, among other things, 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 our corporate governance principles. Finally, the Governance Committee oversees public policy matters and compliance with our Code of Conduct.

**Meetings:** The Governance Committee held five meetings in 2011.

**Members:** The members of the Governance Committee are Glynis A. Bryan (Chair), T. Michael Glenn, 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: <http://www.pentair.com/resources/images/3611.pdf>.

***International Committee***

**Role:** The International Committee reviews the international aspects of our business operations and assists management in formulating growth, development and organizational strategies for our global business units.

**Meetings:** The International Committee held one meeting in 2011.

**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.

**Charter:** You can find the International Committee Charter at: <http://www.pentair.com/resources/images/3610.pdf>.

**Compensation Committee Interlocks and Insider Participation**

During 2011, we did not employ any member of the Compensation Committee as an officer or employee and there were no interlock relationships.

**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 our categorical standards of independence included in the Corporate Governance Principles, which you can find at <http://www.pentair.com/resources/images/3609.pdf>. Based on these standards, 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) Charles A. Haggerty

(6) David H. Y. Ho

(7) David A. Jones

(8) Ronald L. Merriman

(9) William T. Monahan

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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 2011, 2010 and 2009; and (ii) during all relevant years were not of an amount or nature that impeded the director's exercise of independent judgment.

<b>Director</b>	<b>Relationships Considered</b>
Leslie Abi-Karam	Executive Vice President and President, Mailing Solutions Management, Pitney Bowes Inc.
Glynis A. Bryan	Chief Financial Officer, Insight Enterprises, Inc.
T. Michael Glenn	Executive Vice President – Market Development and Corporate Communications, FedEx Corporation
Charles A. Haggerty	Director, Deluxe Corporation
David A. Jones	Senior Advisor, Oak Hill Capital Partners
William T. Monahan	Director, The Mosaic Company

**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

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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

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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 2011. 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 currently provide for a Board of 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. Incumbent directors Charles A. Haggerty, Randall J. Hogan and David A. Jones are standing for election at the Annual Meeting. There is one fewer nominee for election to the Board than there are available positions on the Board. Regardless of this vacancy, you may vote your shares only for the number of nominees for director named in this Proxy Statement.

***Directors Attendance***

The Board held seven meetings in 2011. In each of the regularly scheduled meetings, the independent directors in attendance also met in executive session, without the Chief Executive Officer or other management 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, 2011. We expect our directors to attend our annual meetings of shareholders. In April 2011, all of the directors then in office attended the 2011 annual meeting of shareholders. William T. Monahan has served as the Board's Lead Director since January 1, 2008 and 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, found in our Board Governance Principles:

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 be chosen without regard to sex, sexual orientation, race, religion or national origin;

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;



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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.

Our Board's policies on director qualifications emphasize our commitment to diversity at the Board level—diversity not only of sex, sexual orientation, race, religion or national origin but also diversity of experience, expertise and training. The Governance Committee in the first instance is charged with observance of these director selection guidelines, and strives in reviewing potential candidates to assess the fit of his or her qualifications with the needs of the Board and our company at that time, given the then current mix of directors' attributes. Board composition, director effectiveness and Board processes, including director recruitment and selection, are all subject areas of our annual Board Assessment.

### ***Shareholder Nominees***

Shareholders submitted to the Governance Committee no candidates for nomination for election as a director at the 2012 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 for election at the 2013 Annual Meeting 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, Minneapolis, MN 55416 no earlier than December 28, 2012 and no later than January 23, 2013 for consideration at the 2013 Annual Meeting. You may 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](http://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, Minneapolis, MN 55416.

### **Election of Directors**

The Board, upon recommendation of the Governance Committee, has nominated incumbent directors Charles A. Haggerty, Randall J. Hogan and David A. Jones for three-year terms that expire at the 2015 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.

Biographies of the director nominees and continuing directors follow. These biographies include their ages; an account of their specific business experience; the names of publicly held and certain other corporations of which they also are, or have been within the past five years, directors; and a discussion of their specific experience, qualifications, attributes or skills that led to the conclusion that they should serve as directors.

### ***Directors Standing For Election***

#### ***For a Three-Year Term Expiring at the 2015 Annual Meeting of Shareholders***

***Charles A. Haggerty***, director since 1994, age 70

Mr. Haggerty 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 1992, where he served as Chief Operating Officer until 1993, as Chief Executive Officer and Chairman of the Board from

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1993 until he retired in 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., Deluxe Corporation and LSI Corp, and formerly served as a director at Beckman Coulter, Inc. until 2011

Mr. Haggerty's long record of service with Pentair as director and Lead Director, his familiarity with our company and our various businesses, his executive management experience, extensive service as a director at other public companies, as well as his interest and expertise in corporate governance issues give him a deep understanding of the role of the Board of Directors that is instrumental in maintaining the functionality of the Board. Mr. Haggerty has served as a member of each of our Board committees, which has given him a firm understanding of the impact on us of a wide range of business situations.

***Randall J. Hogan***, director since 1999, age 56

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 1995 to 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 Company. From 1981 until 1987, he was a consultant at McKinsey & Company. Mr. Hogan is also a director of Covidien plc. Mr. Hogan also served as a director of Unisys Corporation from 2004 to 2006.

Mr. Hogan has significant leadership experience both with us and predecessor employers demonstrating a wealth of operational management, strategic, organizational and business transformation acumen. His deep knowledge of business in general and our businesses, strengths and opportunities in particular, as well as his experience as a director in two other complex global public companies allow him to make significant contributions to the Board.

***David A. Jones***, director since 2003, age 62

Mr. Jones serves as the Chair of the International and Compensation Committees. Since 2008, Mr. Jones has been Senior Advisor to Oak Hill Capital Partners, a private equity firm. In April 2010, Mr. Jones was appointed to the board of directors of Dave & Buster's Holdings, Inc., an owner and operator of high-volume restaurant/entertainment venues, and to the board of directors as the lead director of The Hillman Group, Inc., a distributor of fasteners, key duplication systems, engraved tags and related hardware items, both of which are privately owned by Oak Hill Capital Partners. Between 1996 and 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. After Mr. Jones was no longer an executive officer of Spectrum Brands, it filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code in March 2009 and exited from bankruptcy proceedings in August 2009. 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 also served as a director of Simmons Bedding Company from 2000 to 2010, as a director of Spectrum Brands from 1996 to 2007, and as a director of Tyson Foods, Inc. from 1999 to 2005.

Mr. Jones' extensive management experience with both public and private companies and private equity funds, coupled with his global operational, financial and mergers and acquisitions expertise, have given the Board invaluable insight into a wide range of business situations. Mr. Jones has served on each of our Board Committees, which has given him an understanding of the impact on us of a wide range of business situations.

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### ***Directors Not Standing For Election***

#### ***With a Three-Year Term Expiring at the 2014 Annual Meeting of Shareholders***

***Leslie Abi-Karam***, director since 2008, age 53

Since 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 2002 and 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 engineering, global supply chain and direct procurement operations, supplying products and sourcing for all commodity/spend management within Pitney Bowes worldwide. Between 2000 and 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.

Ms. Abi-Karam brings to our Board significant experience in the management of global technology businesses. As a current operating leader, Ms. Abi-Karam faces many of the same challenges as our company and provides perspective on alternative solutions to common problems.

***Jerry W. Burris***, director since 2007, age 48

Mr. Burris has been President and Chief Executive Officer of Associated Materials, LLC, a manufacturer of professionally installed exterior building products, since September 2011. Between 2008 and 2011, he was President, Precision Components of Barnes Group Inc. from 2006 until 2008, Mr. Burris was the President of Barnes Industrial, a global precision components business within Barnes Group. 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 General Electric Company in 1986 in the GE Corporate Technical Sales and Marketing Program.

Mr. Burris brings to our Board significant experience in management of global manufacturing operations and related processes, such as supply chain management, quality control and product development. Mr. Burris provides the Board with insight into operating best practices and current developments in a variety of management contexts.

***Ronald L. Merriman***, director since 2004, age 67

Mr. Merriman serves as the Chair of the Audit Committee. He is the retired Vice Chair of KPMG, a global accounting and consulting firm, where he served from 1967 to 1997 in various positions, including as a member of the Executive Management Committee. He also served as Executive Vice President of Ambassador International, Inc., a publicly-traded travel services business, from 1997 to 1999; Executive Vice President of Carlson Wagonlit Travel, a global travel management firm, from 1999 to 2000; Managing Director of O Melveny & Myers LLP, a global law firm, from 2000 to 2003; and Managing Director of Merriman Partners, a management advisory firm, from 2004 to 2010. He is also a director of Aircastle Limited, Realty Income Corporation and Haemonetics Corporation. Mr. Merriman also served as a director of Cardio Dynamics International from July 2003 to July 2005 and as a director of Corautus Genetics Inc. from April 2004 to May 2005.

Mr. Merriman's extensive accounting and financial background has strengthened our Audit Committee and its processes over the past six years. In addition, his global experience and contributions to our International Committee have assisted us in our expansion into overseas markets.

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***With a Three-Year Term Expiring at the 2013 Annual Meeting of Shareholders***

***T. Michael Glenn***, director since 2007, age 56

Since 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 1994 to 1998, Mr. Glenn was Senior Vice President – Marketing and Corporate Communications of FedEx Express. Mr. Glenn is also a director of Renasant Corporation, and was formerly a director of Deluxe Corporation from 2004 to 2006.

Mr. Glenn brings extensive strategic, marketing and communications experience to our Board from his service as one of the top leaders at FedEx Corporation. He has been an active participant in the development of our strategic plans, and a strong proponent for strengthening our branding and marketing initiatives.

***David H. Y. Ho***, director since 2007, age 52

Mr. Ho has been a private investor since he retired in 2008, but has significant executive experience with global technology companies. From 2007 to 2008, he 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. Prior thereto, Mr. Ho held numerous executive positions with Nokia subsidiaries, including Nokia China Investment Limited, the Chinese operating subsidiary of Nokia Corporation, where he served as President between 2004 and 2007 and Senior Vice President, Networks – Greater China, between 2001 and 2004. Between 1983 and 2001, Mr. Ho held various senior positions with Nortel Networks and Motorola Inc. in Canada and China. Mr. Ho is also a director of Owens-Illinois Inc. (since 2008), Triquint Semiconductor (since 2010), and Dong Fang Electric Corporation, a Chinese State Owned Enterprise (since 2009), and was a director of 3Com Corporation from December 2008 through April 2010.

In addition to corporate governance training received as a result of his various directorships, Mr. Ho’s extensive experience in global markets, especially in China, has contributed greatly as we have expanded our presence throughout the world, particularly in the Asia-Pacific region. In addition, he brings to our Board significant management expertise in operations, mergers, acquisitions and joint ventures in the area.

***Glynis A. Bryan***, director since 2003, age 53

Ms. Bryan serves as the Chair of the Governance Committee. Since 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 2005 and 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 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.

Ms. Bryan has extensive global financial and accounting experience in a variety of business operations, especially in logistics services. Ms. Bryan originally served on the Audit Committee of the Board for five years, and was selected in 2009 by the Board to serve as the Chair of the Governance Committee. Her familiarity with all aspects of Board responsibilities at Pentair will be critical in the future as governance and risk management processes continue to develop.

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*William T. Monahan*, director since 2001, age 64

Mr. Monahan serves as the Lead Director. In 2006, Mr. Monahan served as a director and the Interim Chief Executive Officer of Novelis, Inc., a global leader in aluminum rolled products and aluminum can recycling. From 1995 to 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 Solutia Inc. and was a director of Novelis, Inc. from 2005 to 2007.

Mr. Monahan brings to our Board a wealth of global operational and management experience, as well as a deep understanding of our businesses gained as a member of our Board for ten years. Mr. Monahan has extensive service as a board member and chief executive officer at companies in a number of different industries; his broad international perspective on business operations has been instrumental as we become more global.

Under our Articles of Incorporation, election of directors requires the affirmative vote of a majority of all votes cast at the Annual Meeting. A nominee who does not receive a majority of the votes will not be elected to our Board of Directors. The Board has the power to appoint directors to vacant positions, as would arise with respect to a nominee who did not obtain the requisite majority vote. Any such appointee must stand for election at the next annual shareholders meeting or at the next special shareholders meeting called for that purpose.

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 2015. 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.**

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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 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 (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.

**2011 Say on Pay Vote**

In April 2011 (after the 2011 executive compensation actions described in this Compensation Discussion and Analysis had taken place), we held our first advisory stockholder vote on the compensation of our named executive officers at our annual shareholders meeting, and, consistent with the recommendation of the Board, our shareholders approved the compensation of our named executive officers with more than 94% of votes cast in favor. Consistent with this strong vote of shareholder approval, we have not undertaken any material changes to our executive compensation programs in response to the outcome of the vote. In keeping with the recommendation of the Board, our shareholders also expressed a preference that future advisory stockholder votes on the compensation of our named executive officers be held on an annual basis and, as previously disclosed, the Board determined to hold an advisory vote on the compensation of the named executive officers every year until the next required advisory vote on the frequency of future advisory votes.

**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 executives 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 management and shareholder interests by encouraging employee stock ownership.

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

base salary, to provide fixed compensation competitive in the marketplace;

annual incentive compensation, to reward short-term performance against specific financial targets and individual goals;

long-term incentive compensation, to link management incentives to long-term value creation and shareholder return; and

retirement, perquisites and other benefits, to attract and retain executives over the longer term.

We discuss each of these components below under 2011 Compensation Program Elements and Changes in Compensation Program Mix for 2012.

### **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 2011, the Committee held five regular meetings. The Committee has scheduled five regular meetings for 2012. In addition to the regularly scheduled meetings, the Committee holds special meetings when necessary.

Committee members generally receive written materials several days prior to each regularly scheduled meeting. 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 our compensation philosophy and objectives, as well as 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 2010 and February 2011, the Committee reviewed and approved executive salaries, equity plan incentive grants and performance measures and related targets for our annual incentive program for 2011. When reviewing proposed 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 below under Comparative Framework. The Committee also considered our corporate performance compared to our strategic objectives. The Committee reviewed and approved equity grants for newly hired and promoted employees as required throughout the year. Committee actions relating to executive salaries, incentive awards and long-term compensation, as well as changes to our compensation programs, were submitted to the full Board for ratification and approval.

### **Services of Compensation Consultant**

In 2011, the Committee retained AON Hewitt, an external compensation consultant (the Compensation Consultant), to advise the Committee on executive compensation issues. See Corporate Governance Matters Committees of the Board Compensation Committee for disclosure relating to services provided to us by affiliates of the Compensation Consultant.

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



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based on analyses of relevant survey data and of the practices of the Comparator Group defined below under Comparative Framework. The Compensation Consultant also provides guidance on industry best practices and advises the Committee in determining appropriate ranges for base salaries, annual incentives and equity compensation for each senior executive position.

### **Role of Executive Officers in Compensation Decisions**

At the request of the Committee, the Chief Executive Officer and the Senior Vice President, Human Resources, generally attend meetings of the Committee, but are not present in executive sessions and do not participate in deliberations of their own compensation. Our human resources group assists the Committee as requested on specific topics regarding compensation, as well as on specific recommendations for compensation for management throughout our company.

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 the Compensation Consultant and exercises its discretion in adopting, rejecting or changing them.

The Board and the Committee employ a formal rating process to evaluate the Chief Executive Officer's performance. As part of this process, the Board 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 the independent directors in executive session 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 performance rating results and commentary with the Chief Executive Officer. The Committee takes the performance rating and financial data into account in determining the Chief Executive Officer's compensation and 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 executives and shareholders;

annually reviewing total annual compensation for all executive officers; and

establishing appropriate guidelines for executive change-in-control agreements.

### **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 2011, the market for assessing compensation was defined as comparable publicly traded companies that are headquartered in the U.S. and engaged in one or more



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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: A. O. Smith Corporation, Amphenol Corporation, Cooper Industries plc, Crane Co., Danaher Corporation, Donaldson Company, Inc., Dover Corporation, Eaton Corporation, Flowserve Corporation, Hubbell Incorporated, ITT Corporation, Pall Corporation, Parker-Hannifin Corporation, Rockwell Automation, Inc., SPX Corporation and Thomas & Betts Corporation.

### **2011 Compensation Program Elements**

For the fiscal year ended December 31, 2011, the principal components of compensation for Named Executive Officers were:

Base salary;

Annual incentive compensation;

Long-term incentive compensation;

Retirement and other benefits; and

Perquisites and other personal benefits.

The Committee reviews total compensation for executive officers and the relative levels of each of these forms of compensation, against the Committee's goals to attract, retain and incentivize talented executives and to align the interests of these executives with those of our long-term shareholders.

### **Base Salaries**

We provide Named Executive Officers with a fixed base salary. Focusing on the market value of each position, the Committee's goal is to target approximately the 50<sup>th</sup> percentile (the Midpoint) of the Comparator Group for executives' base salary ranges based on available market data. Market data include published survey data and proxy statement 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.

The Committee undertook its annual review of base salaries for the Named Executive Officers and other management personnel, in accordance with its normal procedures. Following a market review by the Compensation Consultant, the Committee, with the Board's concurrence, approved annual merit increases to base salary for each executive officer effective January 1, 2012.

### **Annual Incentive Compensation Plan**

To achieve the objective of providing competitive compensation to attract and retain top talent while linking pay to annual performance, we pay a portion of our executives' cash compensation as incentive compensation tied to annual business performance as measured against annual goals established by the Committee. We pay cash annual incentive compensation to our executive officers, including the Named Executive Officers, under the Executive Officer Performance Plan (EOPP). The Committee has no discretion to increase formula-derived incentive compensation under the EOPP. For 2011, the only participants in the EOPP were our executive officers.



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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 officer's base salary multiplied by the incentive compensation opportunity percentage establishes the target incentive compensation for which the executive officer is eligible. The Committee determined incentive compensation targets in 2011 for all Named Executive Officers. These incentive compensation targets were as follows:

	<b>Target as a</b>	<b>Target in</b>
	<b>Percent of Salary</b>	<b>Dollars</b>
Randall J. Hogan	150%	1,597,500
John L. Stauch	80%	383,430
Michael V. Schrock	100%	564,826
Frederick S. Koury	60%	241,018
Angela D. Lageson	60%	195,000

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 performance goals (described below) for each year and sets each executive's incentive compensation opportunity so that if we attain target performance levels, annual cash incentive levels will be between the 50<sup>th</sup> and 75<sup>th</sup> percentiles of our Comparator Group. If we attain superior performance levels, cash incentive compensation could exceed the 75<sup>th</sup> percentile of the Comparator Group; if we do not attain target performance levels for any of the goals, cash incentive compensation will be below the 50<sup>th</sup> percentile of our Comparator Group.

To establish the performance goals 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 2011, the Committee established the performance goals for 2011 for the EOPP, which the Board then ratified. The EOPP performance goals that applied to the Named Executive Officers consisted of the following quantitative measures:

***Operating income***, which means the excess of revenues over expenses for normal operating activities. For 2011, the operating income threshold was \$365.0 million, target was \$385.0 million and maximum was \$420.0 million, prior to adjustments specified in the EOPP.

***Sales***, which means sales excluding the impact of acquisitions and foreign currency exchange. For 2011, the sales threshold was \$3.107 billion, target was \$3.185 billion and maximum was \$3.308 billion, prior to adjustments specified in the EOPP.

***Free cash flow***, which means cash from operating activities less capital expenditures, including both continuing and discontinued operations, plus proceeds from sale of property and equipment. For 2011, the free cash flow threshold was \$205.0 million, target was \$240.0 million and maximum was \$275.0 million, prior to adjustments specified in the EOPP.

***EBITDA***, which means earnings before interest, depreciation and amortization. For 2011, EBITDA threshold was \$350.0 million, prior to adjustments specified in the EOPP.

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The Committee believes that these performance goals correlate strongly with two primary corporate objectives: to improve the financial return from our businesses and to strengthen our balance sheet through cash flow improvement and debt reduction.

To provide an added performance incentive, the Committee determined that the amount of incentive compensation related to each performance goal other than EBITDA would be scaled according to the amount by which the measure exceeded or fell short of the target. The Committee also determined that the performance goals for operating income, sales and free cash flow should have a threshold level below which no incentive compensation would be earned, as detailed above. In the case of the operating income, sales and free cash flow, the amount of incentive compensation for each performance goal was scaled from 0.75 (at the threshold) to 2.0 times (at the maximum) the target according to a formula that was based solely on our corporate performance and was not subject to adjustment or discretion.

In the case of EBITDA, the Committee determined that attainment of this performance goal is a necessary, but not sufficient, condition to trigger an incentive compensation award. If the EBITDA threshold was not attained, no award would be made for this performance goal. However, if the EBITDA threshold was attained, the Named Executive Officer would be eligible for the EBITDA portion of the award. The Committee retained the discretion to reduce, but not to increase, the amount of any EBITDA-based award to a Named Executive Officer, based upon a strategy deployment factor ( SDF ). The SDF measures an individual executive's performance against expectations in the attainment of corporate strategic goals set by the Board. The SDF is determined by the Committee for each Named Executive Officer based on its assessment of individual performance following consultation with the Chief Executive Officer.

The Committee determined that, for 2011, the performance measures applied to EOPP payments for all Named Executive Officers were to be weighted as follows: operating income: 40%; sales: 20%; free cash flow: 20%; and EBITDA: 20%. The actual incentive compensation of each Named Executive Officer was determined by multiplying the eligible target incentive compensation amount by a multiplier determined as noted above.

Operating income after adjustment for factors specified in the EOPP was \$384.4 million, which exceeded the threshold but not the target. The incentive bonus percentage for the operating income measure amounted to 39.7% of each EOPP participant's target bonus (40% weighting times 99.3%).

Sales after adjustment for factors specified in the EOPP were \$3.210 billion, which exceeded the target but not the maximum. The incentive bonus percentage for the sales measure amounted to 24.1% of each EOPP participant's target bonus (20% weighting times 120.5%).

Cash flow after adjustment for factors specified in the EOPP was \$277.1 million, which exceeded the maximum. The incentive bonus percentage for the free cash flow measure amounted to 40.0% of each EOPP participant's target bonus (20% weighting times 200%).

EBITDA after adjustment for factors specified in the EOPP was \$503.6 million, higher than the \$350.0 million threshold. The Committee determined that each Named Executive Officer's performance in 2011 met or exceeded individual performance expectations, including after consideration of applicable SDFs. Based on this determination, the Committee exercised its discretion to reduce awards from the maximum based on each Named Executive Officer's SDF, resulting in incentive bonus percentage for the EBITDA measure ranging from 21.6% to 23.1% of each EOPP participant's target for this portion of the award (20% weighting times 108.0% to 115.5%).

Based on the foregoing, the Committee awarded EOPP incentive awards to the Named Executive Officers that are reflected in the Non-Equity Incentive Plan Compensation column under Executive Compensation - Summary Compensation Table.

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### 2011 Long-Term 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 long-term compensation to our executives to further the objectives of:

motivating and rewarding executives through share price appreciation;

encouraging innovation and growth;

aligning management and shareholder interests; and

attracting and retaining key executive talent.

In keeping with this philosophy, the Committee establishes long-term incentive compensation targets falling between the 50<sup>th</sup> and 75<sup>th</sup> percentiles of competitive compensation programs, based on the Committee's assessment of 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 75<sup>th</sup> percentile of our Comparator Group.

In 2011, the Committee awarded long-term incentive compensation under the 2008 Pentair, Inc. Omnibus Stock Incentive Plan (the 2008 Omnibus Plan). As it does each year, the Committee used 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 Named Executive Officer and for each position or grade level. Differences in target dollar award levels among the Named Executive Officers were 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 the 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.

The Committee approved the elements and mix of 2011 long-term incentive compensation under the 2008 Omnibus Plan. The Committee granted all Named Executive Officers a mix of the following components:

**Stock options:** The Committee determined that it would grant ten-year stock options, with one third of the options vesting on each of the first, second and third anniversaries of the grant date, as in prior years. For the 2011 grant, stock options constituted one third of the long-term incentive award's total value.

**Restricted stock units:** The Committee determined that it would grant restricted stock units, with one-half of the restricted stock units vesting on each of the third and fourth anniversaries of the grant date, as in prior years. Each restricted stock unit represents the right to receive one share of our Common Stock upon vesting and includes one dividend equivalent unit, which entitles the holder to a cash payment equal to all cash dividends declared on a share of our Common Stock from and after the date of grant. An executive officer may elect to defer receipt of restricted stock units upon vesting under our Non-Qualified Deferred Compensation Plan. For the 2011 grant, restricted stock units constituted one third of the long-term incentive award's total value.

**Cash settled performance units:** For 2011, after review of our short- and long-term incentive plans and current market trends for executive compensation prepared by the Compensation Consultant, management and the Committee modified our compensation program to include cash-settled performance units as a part of long-term incentive compensation. The Committee determined that it would grant cash-settled performance units in 2011, reflecting the desire of the Committee to grant

performance-based awards but also to limit the number of shares of our Common Stock that are

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issued pursuant to long-term incentive awards. Each performance unit entitles the holder to a cash payment following the end of a three-year performance period if we achieve specified Company performance goals established by the Committee pursuant to the 2008 Omnibus Plan. The performance goals selected by the Committee for the 2011 to 2013 period were 4% compounded annual revenue growth and 3% increase in return on invested capital, each as compared to 2010 and each weighted 50%.

Depending on cumulative Company performance over the three-year performance period, we will pay nothing if a threshold is not met, 50% of the target value if the threshold is met, 100% of the target value if the target is met and 200% of the target value if the maximum is met or exceeded. An executive officer may elect to defer receipt of the cash payment under our Non-Qualified Deferred Compensation Plan. For the 2011 grant, cash settled performance units constituted one third of the long-term incentive award's total value.

The value of stock options and restricted stock units and a range of values for the cash settled performance units granted to the Named Executive Officers in 2011 is reflected in the table under Executive Compensation - Grants of Plan-Based Awards Table. The value of restricted shares that vested for each Named Executive Officer in 2011 and the value of options exercised by each Named Executive Officer in 2011 are shown in the table under Executive Compensation - Option Exercises and Stock Vested.

The Committee reviewed and approved the 2011 grants of long-term incentive compensation for executive officers in December 2010 effective on January 3, 2011. For all other recipients, in February 2011, the Committee reviewed and approved grants that were effective on March 2, 2011. 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 15<sup>th</sup> day of the month following the date of hire or promotion or the 15<sup>th</sup> day of the month following the date of the Committee meeting at which the grant is approved. If the 15<sup>th</sup> day of such month is a day on which the New York Stock Exchange is not open for trading, then the grant date will be the first day following the 15<sup>th</sup> day of such month on which the New York Stock Exchange is open for trading. 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.

**Prior Long-Term Incentive Grants**

In 2009, the Committee granted cash settled performance units to the Named Executive Officers. Each performance unit entitles the holder to a cash payment following the end of a three-year performance period, if we achieve specified Company performance goals set forth in the 2008 Omnibus Plan. The performance goals are selected by the Committee at the beginning of each year of the performance period. Depending on our actual performance during each year in the three-year performance period, we might pay a target of 100%, a threshold of 75%, a maximum of 125%, or a minimum of 0%, with respect to the cash settled performance units, contingent upon the participant's remaining employed by us on the third anniversary of the grant date or having retired at or after age 60 with a minimum of ten years' service. Eligible executive officers may elect to defer receipt of the cash payment under our Non-Qualified Deferred Compensation Plan.

For 2009, the Committee selected a performance metric of achievement of an EBITDA target equal to \$434.9 million. In 2009, our EBITDA was below the target level at \$357.9 million, or 82% of target. For 2010, the Committee selected a performance metric of achievement of an EBITDA target equal to \$420.0 million. In 2010, our EBITDA was above the target level at \$436.8 million, or 104% of target. For 2011, the Committee selected a performance metric of achievement of an EBITDA target equal to \$485.0 million. In 2011, our EBITDA was above the target level at \$522.9 million, or 108% of target. As a result, the cumulative three-year performance of these cash settled performance units was above the threshold but below target. Final payout will be made in 2012.

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### **Changes in Compensation Program Mix for 2012**

The Committee believes that one of the strengths of our compensation program is its consistency; therefore, the Committee did not change in 2011 its compensation philosophy or objectives as described above under Compensation Philosophy and Objectives.

#### ***Base Salaries***

The Committee undertook its annual review of base salaries for the Named Executive Officers and other management personnel, in accordance with its normal procedures. Following a market review by the Compensation Consultant, the Committee, with the Board's concurrence, approved annual merit increases to base salary for each executive officer effective January 1, 2012.

#### ***Annual Incentive Compensation***

The Committee also reviewed the Company's cash incentive plans and approved performance measures and goals for 2012. The Committee determined that operating income, sales and cash flow generation would be the three primary operating measures used to determine cash incentive compensation amounts for 2012. These measures correlate strongly with two primary corporate objectives: to improve the financial return from our businesses, and to strengthen our balance sheet through cash flow improvement and debt reduction. In addition, the Committee also approved an EBITDA target to be used with SDFs in assessing individual performance for the year. The performance measures (and related target amounts) applicable to all Named Executive Officers for 2012 will be weighted as follows: operating income 40%, sales 20%, free cash flow 20% and EBITDA 20%.

No changes are being made in the administration of the EOPP, the setting of incentive compensation opportunity targets, the methodology for calculating actual incentive compensation payouts or the Committee's procedures for reviewing and approving awards under the plan, as described above under Annual Incentive Compensation Plan.

#### ***Long-Term Incentive Compensation***

The Committee approved in December 2011 the elements and mix of long-term incentive compensation for 2012 under the 2008 Omnibus Plan. The Committee granted all Named Executive Officers a mix of the following components: stock options, restricted stock units and cash settled performance units.

***Stock options:*** The Committee determined that it would grant ten-year stock options, with one third of the options vesting on each of the first, second and third anniversaries of the grant date, as in prior years. The stock options for the 2012 grant constitute one-third of the long-term incentive award's total value.

***Restricted stock units:*** The Committee determined that it would grant restricted stock units. Unlike past grants, the Committee imposed a performance condition on the restricted stock units which requires the Company to meet a specified threshold goal for free cash flow in 2012. If such goal is achieved, then consistent with past practice, one-half of the restricted stock units vest on each of the third and fourth anniversaries of the grant date. Each restricted stock unit represents the right to receive one share of our Common Stock upon vesting and includes one dividend equivalent unit, which entitles the holder to a cash payment equal to all cash dividends declared on a share of our Common Stock from and after the date of grant. An executive officer may elect to defer receipt of restricted stock units upon vesting under our Non-Qualified Deferred Compensation Plan. For the 2012 grant, restricted stock units constituted one third of the long-term incentive award's total value.

***Cash settled performance units:*** The Committee determined that it would also grant cash settled performance units in 2012 from a bonus pool that is established only if the Company meets a specified threshold goal for free cash flow in 2012. From this bonus pool, each participant,

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including the Named Executive Officers, is granted cash settled performance units. Each performance unit entitles the holder to a cash payment following the end of a three-year performance period, if we achieve specified Company performance goals on metrics set forth in the 2008 Omnibus Plan. The performance goals selected by the Committee for the 2012 to 2014 performance period were revenue growth and return on invested capital, each weighted 50%.

Subject to establishment of the bonus pool and depending on cumulative Company performance over the three-year performance period, we will pay nothing if a threshold is not met, 50% of the target value if the threshold is met, 100% of the target value if the target is met and 200% of the target value if the maximum is met. An executive officer may elect to defer receipt of the cash payment under our Non-Qualified Deferred Compensation Plan. For the 2012 grant, the value of cash settled performance units awarded constituted one-third of the long-term incentive award's total value.

**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 2011, stock ownership included stock owned by the officer both directly and indirectly, the pro-rated portion of unvested restricted stock, restricted stock units, 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, certain executives should accumulate and hold Common Stock equal to a multiple of base salary as follows:

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

**Stock Ownership for the Currently-Serving Named Executive Officers as of December 31, 2011**

	<b>Share</b>	<b>12/31/11</b>	<b>Ownership</b>	<b>Meets</b>
	<b>Ownership</b>	<b>Market Value (\$) <sup>(1)</sup></b>	<b>Guideline (\$)</b>	<b>Guideline</b>
Randall J. Hogan	625,420	20,820,232	5,325,000	Yes
John L. Stauch	99,115	3,299,538	1,437,864	Yes
Michael V. Schrock	194,999	6,491,517	1,694,478	Yes
Frederick S. Koury	58,330	1,941,806	989,400	Yes
Angela D. Lageson	11,283	375,611	812,500	No <sup>(2)</sup>

(1) The amounts in this column were calculated by multiplying the closing market price of our Common Stock on December 30, 2011 (the last trading day of our most recently completed fiscal year) of \$33.29 by the number of shares owned.

(2) Mrs. Lageson was appointed to her position with the Company in February 2010, and will have five years from her 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, Inc. Retirement Savings and Stock Incentive Plan, the Pentair, Inc. Supplemental Executive Retirement Plan and the Pentair, Inc. 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 50<sup>th</sup> percentile of similar benefits given by our Comparator Group.

The Pentair, Inc. Pension Plan, the Pentair, Inc. Retirement Savings and Stock Incentive Plan, the Pentair, Inc. Supplemental Executive Retirement Plan and the Pentair, Inc. Restoration Plan were all amended in 2008 to comply with final regulations under Internal Revenue Code Section 409A. As a result of these amendments, benefits vested prior to January 1, 2005 are separated from benefits earned after January 1, 2005, and may offer different distribution or other options to participants as described below.

***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). No additional benefits may be earned under the Pension Plan after December 31, 2017. Benefits under the Pension Plan are payable after retirement in the form of an annuity.

Compensation covered by the Pension Plan for the Named Executive Officers equals the amounts set forth in the Salary column under Executive Compensation - Summary Compensation Table and 2010 incentive compensation paid in March 2011 set forth in the Non-Equity Incentive Plan Compensation column under Executive Compensation - Summary Compensation Table. The amount of annual earnings that may be considered in calculating benefits under the Pension Plan is limited by law. For 2011, the annual limitation was \$245,000.

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, Inc. Supplemental Executive Retirement Plan (SERP) and the Pentair, Inc. Restoration Plan (Restoration Plan) are unfunded, nonqualified defined benefit pension plans for all executive officers and other key executives selected by the Committee who were hired or became a participant on or before December 31, 2007. 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. Each of the Named Executive Officers participates in the SERP and each of the Named Executive Officers other than Mrs. Lageson participates in the Restoration Plan. All Named Executive Officers other than Mrs. Lageson are fully vested in these Plans.

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 vested as of December 31, 2004, are payable after retirement in the form of either a 15-year certain annuity or, at

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the participant's option, a 100% joint and survivor annuity. Benefits earned after December 31, 2004, are payable after retirement in the form of a 15-year certain annuity. Compensation covered by the SERP and the Restoration Plan for the Named Executive Officers equals the amounts set forth in the 2011 Salary and Non-Equity Incentive Plan Compensation columns under Executive Compensation - Summary Compensation Table.

Benefits under the SERP are calculated as:

final average compensation as defined above; multiplied by

benefit service percentage, which equals 15% multiplied by years of benefit service.

As discussed above, the Pension Plan limits retirement benefits for compensation earned in excess of the annual limitation imposed by Internal Revenue Code Section 401(a)(17), which was \$245,000 in 2011. The Restoration Plan is designed to provide retirement benefits based on compensation earned by participants in excess of this annual limitation. The only participants in the Restoration Plan are those executive officers and other selected key leaders who participate in the SERP and who otherwise qualify for participation in the Restoration Plan. 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. Benefits vested as of December 31, 2004 are payable after retirement in the form of a 15-year certain annuity or, at the participant's option, a 100% joint and survivor annuity. Benefits earned after December 31, 2004 are payable after retirement in the form of a 15-year certain annuity. No additional benefits may be earned under the Restoration Plan after December 31, 2017.

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 table under Executive Compensation - Pension Benefits.

***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 normally match an amount equal to one dollar for each dollar contributed to the RSIP by participating employees on the first one percent, and 50 cents for each dollar contributed to the RSIP by participating employees on the next five percent, of their regular earnings. In addition, after the first year of employment, 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 \$245,000 in 2011.



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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 RSIP. We make ESOP contributions in our Common Stock. Participants may sell and immediately reinvest stock contributions within the ESOP into any other investment vehicles offered under the RSIP/ESOP Plan. In addition, ESOP balances, but not RSIP balances, may be reinvested into the Company's Common Stock, effective in 2009.

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.

Amounts deferred, if any, under the RSIP/ESOP Plan by the Named Executive Officers are included in the Salary and Non-Equity Incentive Plan Compensation columns under Executive Compensation - Summary Compensation Table. Pentair matching contributions allocated to the Named Executive Officers under the RSIP/ESOP Plan are included in the All Other Compensation column under Executive Compensation - Summary Compensation Table. Matching contributions are generally made a year in arrears.

**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 \$1,000,000) in life insurance, and up to \$10,000 per month in long-term disability coverage. The cost of the active employee benefits in 2011 for the Named Executive Officers was as follows:

<b>Officer</b>	<b>Cost of Benefits (\$)</b>
Randall J. Hogan	14,577
John L. Stauch	14,731
Michael V. Schrock	14,282
Frederick S. Koury	13,788
Angela D. Lageson	13,582

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 midpoint annual salary of \$164,400 in 2011. This plan permits executives to defer up to 25% of their base salary and 75% of their annual cash incentive compensation. We normally make contributions in two tranches 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 \$245,000 in 2011, but below the Sidekick Plan's compensation limit of \$700,000.

Participants in 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 the Plan. We do not guarantee or subsidize any investment earnings under the Plan, and our Common Stock is not a permitted investment choice under the Plan.



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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 under Executive Compensation - Summary Compensation Table. Our contributions allocated to the Named Executive Officers under the Sidekick Plan are included in the All Other Compensation column under Executive Compensation - Summary Compensation Table.

### **Perquisites and Other Personal Benefits**

We provide Named Executive Officers with a perquisite program (the Flex Perq Program) under which the Named Executive Officers receive a cash perquisite allowance in an amount that the Committee believes is 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 2011, 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 an annual executive physical and related expenses for the Chief Executive Officer and President and Chief Operating Officer.

These amounts are included in the All Other Compensation column under Executive Compensation Summary Compensation Table and are set forth in more detail in footnote 5 to that table.

### **Severance and Change-in-Control Benefits**

We provide severance and change-in-control benefits to selected 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 to our executive officers:

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 provides that, upon a change in control, each EOPP 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 in control and assuming that the year's EOPP targets have been attained.

The 2008 Omnibus Plan and its predecessors provide that, upon a change in control, all outstanding options granted under such plans that are unvested become fully vested.

The 2008 Omnibus Plan and its predecessors provide that, upon a change in control, all restrictions applicable to outstanding shares of restricted stock granted under such plans shall automatically lapse and any dividends declared but unpaid with respect to such restricted stock shall be paid to the executive within 10 days of the date of the change in control.

The 2008 Omnibus Plan and its predecessors provide that, upon a change in control, all restrictions applicable to outstanding restricted stock units and dividend equivalent units granted under such plans shall automatically lapse and any dividends declared but unpaid with respect to such dividend equivalent units shall be paid to the executive within 10 days of the date of the change in control.



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The 2008 Omnibus Plan provides that, upon a change in control, all cash settled performance units for which the performance period has not expired will be cancelled in exchange for a cash payment equal to the amount that would have been due under such awards if the performance goals measured at the time of the change in control were to continue to be achieved at the same rate through the end of the performance period, or if higher, assuming the target performance goals had been met at the time of the change in 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 below under Executive Compensation - Potential Payments Upon Termination Or Change In Control.

## **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 party, 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.

## **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, including periodic shareholder approval of the benefit plans under which we pay such performance-based compensation. Annual cash incentive compensation generally is performance-based compensation meeting those requirements and, as such, is fully 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. 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.

## **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, 2011.

### **THE COMPENSATION COMMITTEE:**

David A. Jones, Chair

Glynis A. Bryan

T. Michael Glenn

William T. Monahan

**Table of Contents****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, 2009, 2010 and 2011.

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock		Non-Equity Incentive Plan Compensation (\$ (3))	Change in Pension Value and Non- Qualified Deferred Compensation Earnings (\$ (4))	All Other Compensation (\$ (5))	Total Compensation (\$)
				Awards (\$ (1))	Option Awards (\$ (2))				
Randall J. Hogan	2011	1,065,000	-	1,738,763	1,716,495	3,943,764	3,113,217	209,934	11,787,173
	2010	991,055	-	2,717,399	3,420,504	2,209,062	777,775	202,415	10,318,210
<i>Chairman and Chief Executive Officer</i>	2009	936,693	-	1,955,544	1,706,806	1,264,536	1,138,773	186,633	7,188,985
John L. Stauch	2011	479,288	-	557,067	549,943	1,117,448	532,629	118,847	3,358,222
	2010	461,945	-	893,516	1,124,721	541,769	313,823	89,274	3,425,048
<i>Executive Vice President and Chief Financial Officer</i>	2009	454,000	-	1,618,536	524,258	319,616	274,029	98,333	3,288,772
Michael V. Schrock	2011	564,826	-	759,643	749,922	1,653,256	1,129,507	140,288	4,997,442
	2010	541,688	-	1,191,366	1,499,629	804,948	677,442	114,232	4,829,305
<i>President and Chief Operating Officer</i>	2009	535,000	-	770,048	698,813	470,800	550,917	158,454	3,184,032
Frederick S. Koury	2011	401,696	-	320,728	316,630	711,260	547,585	88,051	2,385,950
	2010	391,880	-	514,453	647,569	354,103	236,871	61,915	2,206,791
<i>Senior Vice President, Human Resources</i>	2009	388,000	-	355,324	331,110	214,176	236,751	87,276	1,612,637
Angela D. Lageson (6)	2011	325,000	-	236,339	233,312	328,464	218,795	63,656	1,405,566
<i>Senior Vice President, General Counsel and Secretary</i>									

(1) The amounts in column (e) represent the aggregate grant date fair value, computed in accordance with Accounting Standards Codification 718 ( ASC 718 ) (formerly referred to as SFAS No. 123(R)), of restricted stock and restricted stock units granted during each year. Assumptions used in the calculation of these amounts are included in footnote 14 to our audited financial statements for the fiscal year ended December 31, 2011 included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 21, 2012.

(2) The amounts in column (f) represent the aggregate grant date fair value, computed in accordance with ASC 718, of stock options granted during each year. Assumptions used in the calculation of these amounts are included in footnote 14 to our audited financial statements for the fiscal year ended December 31, 2011 included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 21, 2012.

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- (3) The amounts in column (g) with respect to 2011 reflect cash awards to the named individuals pursuant to awards under the EOPP in 2011, which were determined by the Compensation Committee at its February 20, 2012 meeting and, to the extent not deferred by the executive, paid shortly thereafter as well as awards to the named individuals pursuant to cash settled performance units granted in 2009.
  
- (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) The table below shows the components of column (i), 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 unit awards:

	(A)	(B)	(C)	(D)	(E)	(F)
	<b>Perquisites under the Flex Perq Program</b>	<b>Other Perquisites and Personal Benefits</b>	<b>Matches under Defined Contribution Plans</b>	<b>Matches under the Employee Stock Purchase Plan</b>	<b>Life Insurance Premiums</b>	<b>Dividends on Restricted Stock Unit Awards</b>
<b>Name</b>	<b>\$(a)</b>	<b>\$(b)</b>	<b>\$(c)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
Mr. Hogan	35,000	6,993	43,575	-	4,902	119,464
Mr. Stauch	30,000	1,037	41,884	1,800	1,203	42,923
Mr. Schrock	35,000	1,023	43,575	2,250	4,112	54,327
Mr. Koury	30,000	5,794	26,730	-	1,501	24,026
Mrs. Lageson	30,000	-	19,789	-	524	13,343

- (a) The amount shown in column (A) 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 amount shown in column (B) includes travel and related expenses for such individual's spouse or companion in conjunction with a Board meeting, reimbursement for costs associated with an annual executive physical and related travel expenses for Mr. Hogan and reimbursement for costs associated with an annual executive physical for Mr. Koury.
- (c) The amount shown in column (C) for each individual reflects amounts contributed by us to the RSIP/ESOP Plan or the Sidekick Plan with respect to salary deferrals in 2010 that were paid in 2011.
- (6) Mrs. Lageson became a named executive officer in 2011. She was not a named executive officer in 2009 or 2010.

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(a)	(b)	(c)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (2) (3)			Estimated Future Payouts Under Equity Incentive Plan Awards			(j) All Other Stock Awards: Number of Shares of Stock or Units	(k) All Other Option Awards: Number of Underlying Options	(l) Exercise or Base Price of Option Awards (\$/sh)	(m) Grant Date Fair Value of Stock and Option Awards \$(6)
			(d) Threshold (\$)	(e) Target (\$)	(f) Maximum (\$)	(g) Threshold (#)	(h) Target (#)	(i) Maximum (#)				
<b>Randall J. Hogan</b>	1/3/11	12/13/10							47,019			1,738,763
	1/3/11	12/13/10								171,324	36.98	1,716,495
	1/3/11	12/13/10	858,333	1,716,666	3,433,332							
			1,198,125	1,597,500	3,195,000							
<b>John L. Stauch</b>	1/3/11	12/13/10							15,064			557,067
	1/3/11	12/13/10								54,890	36.98	549,943
	1/3/11	12/13/10	275,000	550,000	1,100,000							
			287,573	383,430	766,860							
<b>Michael V. Schrock</b>	1/3/11	12/13/10							20,542			759,643
	1/3/11	12/13/10								74,850	36.98	749,922
	1/3/11	12/13/10	375,000	750,000	1,500,000							
			423,620	564,826	1,129,652							
<b>Frederick S. Koury</b>	1/3/11	12/13/10							8,673			320,728
	1/3/11	12/13/10								31,603	36.98	316,630
	1/3/11	12/13/10	158,333	316,666	633,332							
			180,764	241,018	482,036							
<b>Angela D. Lageson</b>	1/3/11	12/13/10							6,391			236,339
	1/3/11	12/13/10								23,287	36.98	233,312
	1/3/11	12/13/10	116,667	233,333	466,666							
			146,250	195,000	390,000							

(1) The Compensation Committee's practices for granting options and restricted stock units, including the timing of all grants and approvals therefor, are described under Compensation Discussion and Analysis 2011 Long-Term Incentive Compensation.

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- (2) The amounts shown in column (d) to which no grant date applies reflect the total of the threshold payment levels for each element under our EOPP. This amount is 75% of the target amounts shown in column (e). The amounts shown in column (f) are 200% of such target amounts. These amounts are based on the individual's current salary and position. Any amounts payable under the EOPP would be paid in March 2012, based on Company performance in 2011.
  
- (3) The amounts shown in column (d) as having been granted on January 3, 2011, reflect the total of the threshold payment levels for awards of cash settled performance units granted in 2011 under the 2008 Omnibus Plan which are 50% for 2011 of the target amounts shown in column (e). The amounts shown in column (f) are 200% of such target amounts. These amounts are based on the individual's current salary and position. Any amounts payable with respect to performance units would be paid in March, 2014, based on cumulative Company performance for the period 2011 to 2013.
  
- (4) The amounts shown in column (j) reflect the number of restricted stock units granted to each Named Executive Officer in 2011.
  
- (5) The amounts shown in column (k) reflect the number of options to purchase Common Stock granted to each Named Executive Officer in 2011.
  
- (6) The amounts shown in column (m) reflect the grant date fair value of the awards of restricted stock units and stock options computed in accordance with ASC 718.

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**OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2011**

Name	Option Awards					Stock Awards		Equity incentive plan awards:	
	Number of securities	Number of securities	Equity incentive plan awards:			Number of shares	Equity incentive plan awards:	Market or payout value of unearned shares that have not vested	
	underlying unexercised options	underlying unexercised options	Number of securities underlying unexercised unearned options	Option exercise price	Option expiration	of stock or units that have not been vested	Number of unearned shares that have not vested	Market or payout value of unearned shares that have not vested	
	(#)	(#)	(#)	(\$)(1)	date	(#)(2)	(\$)(3)	(#)	(\$)
<b>Randall J. Hogan</b>	Exercisable	Unexercisable							
	295,630	-		22.8800	1/2/2014	211,896	7,054,018		
	275,000	-		40.9500	1/6/2015				
	200,000	-		34.2800	1/3/2016				
	319,775	-		30.0500	1/3/2017				
	115,624	-		35.9900	1/2/2013				
	333,250	-		34.1800	1/2/2018				
	206,192	103,096 <sup>(4)</sup>		24.7800	1/2/2019				
	120,857	241,715 <sup>(5)</sup>		33.3800	1/4/2020				
	-	171,324 <sup>(6)</sup>		36.9800	1/3/2021				
<b>John L. Stauch</b>						112,681	3,751,150		
	121,000	-		33.0100	2/15/2017				
	12,500	-		31.5600	3/1/2017				
	112,500	-		34.1800	1/2/2018				
	63,333	31,667 <sup>(4)</sup>		24.7800	1/2/2019				
	39,740	79,480 <sup>(5)</sup>		33.3800	1/4/2020				
	-	54,890 <sup>(6)</sup>		36.9800	1/3/2021				
<b>Michael V. Schrock</b>						93,174	3,101,762		
	73,602	-		22.8800	1/2/2014				
	60,000	-		40.9500	1/6/2015				
	29,786	-		41.4300	1/2/2012				
	17,991	-		41.4300	1/2/2013				
	7,951	-		41.4300	1/2/2014				
	68,000	-		34.2800	1/3/2016				
	110,000	-		30.0500	1/3/2017				
	10,132	-		36.7800	1/2/2013				
	134,000	-		34.1800	1/2/2018				
	83,333	41,667 <sup>(4)</sup>		24.7800	1/2/2019				
	52,986	105,974 <sup>(5)</sup>		33.3800	1/4/2020				
	-	74,850 <sup>(6)</sup>		36.9800	1/3/2021				

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Name	Option Awards					Number of shares of stock or units that have not been vested	Stock Awards		Equity incentive plan awards: Market or payout value of unearned shares that have not vested
	Number of securities underlying unexercised options	Number of securities underlying unexercised options	Equity incentive plan awards:	Equity incentive plan awards:	Equity incentive plan awards:				
	(#)	(#)	Number of securities underlying unexercised unearned options	Option exercise price	Option expiration date		Market value of shares of stock or units that have not vested	Number of unearned shares that have not vested	
Exercisable	Unexercisable	(#)	(\$)(1)	date	(#)(2)	(\$)(3)	(#)	(\$)	
<b>Frederick S. Koury</b>						41,843	1,392,953		
	2,185	-		22.8800	1/2/2014				
	25,000	-		40.9500	1/6/2015				
	27,777	-		34.2800	1/3/2016				
	45,139	-		30.0500	1/3/2017				
	70,000	-		34.1800	1/2/2018				
	40,000	20,000 <sup>(4)</sup>		24.7800	1/2/2019				
	22,880	45,762 <sup>(5)</sup>		33.3800	1/4/2020				
	-	31,603 <sup>(6)</sup>		36.9800	1/3/2021				
<b>Angela D. Lageson</b>						16,237	540,530		
	7,863	-		41.1200	3/1/2015				
	5,793	-		41.1700	3/1/2016				
	6,431	-		31.5600	3/1/2017				
	5,597	-		32.4000	3/3/2018				
	6,419	3,210 <sup>(7)</sup>		19.1300	3/3/2019				
	8,333	16,667 <sup>(8)</sup>		34.2300	3/2/2020				
	-	23,287 <sup>(6)</sup>		36.9800	1/3/2021				

(1) The exercise price for all stock option grants is the fair market value of our Common Stock on the date of grant.

(2) With respect to 41,667 of the restricted stock units of Mr. Stauch, 100% of the restrictions lapse on the fourth anniversary of the grant date. With respect to 14,779 shares of restricted stock granted to Mr. Hogan and 9,500 shares of restricted stock granted to Mr. Schrock, restrictions on the restricted stock lapse upon the earlier to occur of the following (i) retirement and (ii) January 2, 2012. With respect to the following amounts of restricted stock shares, the restrictions will lapse on March 3, 2012: Mr. Hogan: 4,899 shares; Mr. Stauch: 1,182 shares; Mr. Schrock: 1,741 shares; and Mr. Koury: 758 shares. For all other awards of restricted stock or restricted stock units, the restrictions with respect to 50% of the shares will lapse on the third anniversary of the grant date and the restrictions on the remaining 50% of the shares will lapse on the fourth anniversary of the grant date.

(3) The amounts in this column were calculated by multiplying the closing market price of our Common Stock on December 30, 2011 (the last trading day of our most recently completed fiscal year) of \$33.29 by the number of unvested restricted stock or restricted stock units.

(4) These options will vest on the third anniversary of the grant date, January 2, 2009.

(5) One half of these options will vest on each of the second and third anniversaries of the grant date, January 4, 2010.

(6) One-third of the options will vest on each of the first, second and third anniversaries of the grant date, January 3, 2011.

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(7) These options will vest on the third anniversary of the grant date, March 3, 2009.

(8) One half of these options will vest on each of the second and third anniversaries of the grant date, March 2, 2010.

**Table of Contents****OPTION EXERCISES AND STOCK VESTED TABLE**

The following table shows a summary of the stock options exercised by the Named Executive Officers in 2011 and the restricted stock or restricted stock units vested for the Named Executive Officers during 2011.

Name	Option awards		Stock awards	
	Number of shares acquired on exercise (#)	Value realized on exercise (\$)(1)	Number of shares acquired on vesting (#)	Value realized on vesting (\$)(2)
Randall J. Hogan	244,706	4,013,545	34,454	1,275,921
John L. Stauch	-	-	18,557	695,289
Michael V. Schrock	16,991	165,832	21,241	786,136
Frederick S. Koury	40,119	698,242	10,507	388,829
Angela D. Lageson	-	-	1,765	65,035

(1) Reflects the amount calculated by multiplying the number of options exercised by the difference between the market price of our Common Stock on the exercise date and the exercise price of options.

(2) Reflects the amount calculated by multiplying the number of shares vested by the market price of our Common Stock on the vesting date.

**PENSION BENEFITS**

Listed below are the number of years of credited service and present value of accumulated pension benefits as of December 31, 2011 for each of the Named Executive Officers under the Pentair, Inc. Pension Plan, the Pentair, Inc. Supplemental Executive Retirement Plan and the Pentair, Inc. Restoration Plan, which are described in detail under Compensation Discussion and Analysis Retirement and Other Benefits. The disclosed amounts are actuarial estimates only and do not necessarily reflect the actual amounts that will be paid to the Named Executive Officers, which will only be known at the time that they become eligible for payment.

Name	Plan name	Number of years credited service (#)	Present value of accumulated benefit (\$)(1)	Payments during last fiscal year (\$)
Randall J. Hogan	Pentair, Inc. Pension Plan	14	333,212	-
	Pentair, Inc. Supplemental Executive Retirement Plan	14	11,011,217	-
John L. Stauch	Pentair, Inc. Pension Plan	5	73,606	-
	Pentair, Inc. Supplemental Executive Retirement Plan	5	1,394,224	-
Michael V. Schrock	Pentair, Inc. Pension Plan	14	380,186	-
	Pentair, Inc. Supplemental Executive Retirement Plan	13	4,217,958	-
Frederick S. Koury	Pentair, Inc. Pension Plan	8	145,716	-
	Pentair, Inc. Supplemental Executive Retirement Plan	8	1,581,689	-
Angela D. Lageson	Pentair, Inc. Pension Plan	9	112,533	-
	Pentair, Inc. Supplemental Executive Retirement Plan	2	289,479 <sup>(2)</sup>	-

(1) The Supplemental Executive Retirement Plan benefits, which include amounts under the Restoration Plan, are payable following retirement at age 55 or later in the form of an annuity. The actuarial present values above were calculated using the following methods and assumptions:

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The Pension Plan present values were based on the accrued benefit payable at age 65 and were calculated as of December 31, 2011.

Present values for the Pension Plan are based on a life-only annuity. Present values for the Supplemental Executive Retirement Plan are based on a 180-month-certain only annuity.

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The present value of Pension Plan benefits as of December 31, 2011 was calculated assuming a 5.05% interest rate and the male and female RP2000 mortality table, projected 15 years for post-retirement decrements with no pre-retirement mortality used.

The present value of Supplemental Executive Retirement Plan benefits as of December 31, 2011 was calculated assuming a 5.05% interest rate.

- (2) Mrs. Lageson's benefits under the Supplemental Executive Retirement Plan are not vested, but will vest upon the completion of five years of benefit service (all service following initial participation).

The actual amount of pension benefits ultimately paid to a Named Executive Officer may vary based on a number of factors, including differences from the assumptions used to calculate the amounts.

**NONQUALIFIED DEFERRED COMPENSATION TABLE**

The following table sets forth the contributions, earnings, distributions and 2011 year-end balances for each of the Named Executive Officers under our Sidekick Plan described under Compensation Discussion and Analysis Retirement and Other Benefits Deferred Compensation. Contributions we make to the Sidekick Plan are intended to make up for contributions to our RSIP/ESOP Plan (including our matching contributions) for cash compensation above the maximum imposed by Internal Revenue Code Section 401(a)(17), which was \$245,000 in 2011. Because the Internal Revenue Code does not permit contributions on amounts in excess of that limit under a tax-qualified plan, the Sidekick Plan is designed to permit matching contributions on compensation in excess of the maximum imposed by Internal Revenue Code Section 401(a)(17). We make these matching contributions to the Sidekick Plan on amounts in excess of the maximum imposed by Internal Revenue Code Section 401(a)(17), but below the \$700,000 compensation limit contained in our Sidekick Plan (such contributions by a Named Executive Officer, Covered Sidekick Compensation).

	Executive Contributions in 2011	Registrant Contributions in 2011	Aggregate Earnings/(Loss) in 2011	Aggregate Withdrawals/ Distributions	Aggregate Balance at December 31, 2011
Name	(\$)	(\$)	(\$)	(\$)	(\$)
Randall J. Hogan	210,416	31,325	(83,405)	-	1,854,080
John L. Stauch	165,981	29,634	(10,355)	-	581,455
Michael V. Schrock	78,488	31,325	26,743	-	1,623,929
Frederick S. Koury	50,866	23,055	(34,619)	-	503,345
Angela D. Lageson	38,127	7,539	(4,139)	-	161,552

The amounts set forth in the column Executive Contributions in 2011 reflect the amount of cash compensation each Named Executive Officer deferred in 2011 under the Sidekick Plan.

The amounts set forth in the column Registrant Contributions in 2011 are the totals of contributions we made in 2011 under the Sidekick Plan for the account of each Named Executive Officer. These amounts, in addition to contributions we made under the RSIP/ESOP Plan, are included in the Summary Compensation Table in the column labeled All Other Compensation above. The contributions we made are derived from some or all of the following sources:

Matching contributions equal to one dollar for each dollar contributed up to one percent of Covered Sidekick Compensation, and 50 cents for each incremental dollar contributed up to six percent, deferred in 2010 by each Named Executive Officer; we normally make these contributions one year in arrears.

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A discretionary contribution of up to 1 1/2% of Covered Sidekick Compensation earned in 2010 for each Named Executive Officer; we normally make these contributions one year in arrears.

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The amounts set forth in the column Aggregate Earnings/(Loss) in 2011 reflect the amount of investment earnings realized by each Named Executive Officer on the mutual fund investments chosen that are offered to participants in our RSIP/ESOP Plan and Sidekick Plan. 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 in either Plan.

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

Except for the following items, we have no agreements, arrangements, or plans that entitle executive officers to severance, perquisites, or other enhanced benefits upon termination of their employment; such payments or benefits (other than following a change in control) would be in the discretion of the Compensation Committee.

Restricted stock vesting: Restriction periods on grants of restricted stock under the Pentair, Inc. Omnibus Stock Incentive Plan approved by our shareholders in 2004 and terminated in May 2008 (the 2004 Omnibus Plan) automatically lapse upon the retirement of a Named Executive Officer who has also attained 10 years of service and age 55. The value of unvested restricted stock granted prior to 2009 under the 2004 Omnibus Plan is reflected in the Outstanding Equity Awards at December 31, 2011 table above. As of December 31, 2011, Mr. Hogan and Mr. Schrock were the only Named Executive Officers who had attained 10 years of service and age 55.

Stock option vesting: Upon the retirement of a Named Executive Officer who has also attained 10 years of service and age 60, unvested options granted under the 2008 Omnibus Plan continue to vest according to the schedule in effect prior to retirement and, once vested, remain exercisable until the earlier of the expiration or the five-year anniversary of the Named Executive Officer's retirement date. All such options are reflected in the Stock Option Vesting column of the table under the heading Quantification of Compensation Payable upon Change in Control below. As of December 31, 2011, no Named Executive Officers had attained the age of 60.

Restricted stock unit vesting: Restriction periods on grants of restricted stock units under the 2008 Omnibus Plan automatically lapse upon the retirement of a Named Executive Officer who has also attained 10 years of service and age 60. The value of such restricted stock units granted in 2011 is reflected in the Outstanding Equity Awards at December 31, 2011 table above. As of December 31, 2011, no Named Executive Officers had attained the age of 60.

Cash settled performance unit vesting: Upon the retirement of a Named Executive Officer who has also attained 10 years of service and age 60, cash settled performance units granted under the 2008 Omnibus Plan vest. Payments to retired Named Executive Officers will be based upon actual Company performance to the date of expiration of the performance period, and will be paid in the year following the expiration. As of December 31, 2011, no Named Executive Officers had attained the age of 60.

Certain benefits upon a change in control described under the heading Change in Control Agreements below.

***Change in Control Agreements***

We have entered into agreements with certain key corporate executives and business division leaders, including all Named Executive Officers, that provide for contingent benefits upon a change in control. These agreements are intended to provide for continuity of management upon a completed or threatened change in control. The agreements provide that covered executive officers could be entitled to certain severance benefits following a change in control. If, following such a change in control, the executive officer is involuntarily terminated for any reason, other than for disability or for cause, or if such executive officer terminates his or her employment for good reason, then the executive officer is entitled to certain severance payments.

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Under these agreements, a change in control is deemed to have occurred if:

any person is or becomes the beneficial owner of securities representing 20% (or 30% in the cases of Mr. Stauch and Mrs. Lageson) or more of our outstanding shares of Common Stock or combined voting power;

a majority of our board of directors changes in a manner that has not been approved by at least two-thirds of the incumbent directors or successor directors nominated by at least two-thirds of the incumbent directors;

we consummate a merger, consolidation or share exchange with any other entity (or the issuance of voting securities in connection with a merger, consolidation or share exchange) which our shareholders have approved and in which our shareholders control less than 50% of combined voting power after the merger, consolidation or share exchange; or

we consummate a plan of complete liquidation or dissolution or an agreement for the sale or disposition of all or substantially all of our assets which our shareholders have approved.

Under these agreements, the term cause means:

engaging in intentional conduct that causes us demonstrable and serious financial injury;

conviction of a felony; or

continuing willful and unreasonable refusal by an officer to perform his or her duties or responsibilities.

Under these agreements, the term good reason means:

a breach of the agreement by us;

any reduction in an officer's base salary, percentage of base salary available as incentive compensation or bonus opportunity or benefits;

an officer's removal from, or any failure to reelect or reappoint him or her to serve in, any of the positions held with us on the date of the change in control or any other positions to which he or she is thereafter elected, appointed or assigned, except in the event that such removal or failure to reelect or reappoint relates to our termination of an officer's employment for cause or by reason of disability;

a good faith determination by an officer that there has been a material adverse change in his or her working conditions or status relative to the most favorable working conditions or status in effect during the 180-day period prior to the change in control, or, to the extent more favorable to him or her, those in effect at any time while employed after the change in control, including but not limited to a significant change in the nature or scope of his or her authority, powers, functions, duties or responsibilities or a significant reduction in the level of support services, staff, secretarial and other assistance, office space and accoutrements, but in each case excluding for this purpose an isolated, insubstantial and inadvertent event not occurring in bad faith that we remedy

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within 10 days after receipt of notice thereof;

relocation of an officer's principal place of employment to a location more than 50 miles from his or her principal place of employment on the date 180 days prior to the change in control;

imposition of a requirement that an officer travel on business 20% in excess of the average number of days per month he or she was required to travel during the 180-day period prior to the change in control;

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our failure to cause a successor to assume an officer's agreement; or

only in the case of the Chief Executive Officer, a voluntary termination for any reason within 30 days following the first anniversary of any change in control.

The benefits under these agreements include:

upon any change in control:

incentive compensation awards for the year in question to be paid at target under the EOPP for Named Executive Officers<sup>(1)</sup>;

immediate vesting of all unvested stock options and termination of all restrictions on restricted stock awards issued under the 2004 Omnibus Plan or 2008 Omnibus Plan, without regard to either plan's forfeiture provisions<sup>(1)</sup>;

cash settled performance awards to be paid at one-third of target if the award cycle has been in effect less than 12 months, at two-thirds of the then-current value if the award cycle has been in effect for between 12 and 24 months, and at the then-current value if the award cycle has been in effect for 24 months or more months, in each case as if all performance or incentive requirements and periods had been satisfied<sup>(1)</sup>; and

in certain cases, reimbursement of any excise taxes triggered by payments to the executive and any additional taxes on this reimbursement.

<sup>(1)</sup> Benefits pursuant to these compensation plans are also applicable to all other participants.

upon termination of the executive by us other than for death, disability or cause or by the executive for good reason, after a change in control:

severance payable upon termination in an amount equal to 300% (for the Chief Executive Officer) or 250% (for the other Named Executive Officers) of annual base salary plus the greater of the executive's target bonus for the year in question or bonus received in the prior year;

replacement coverage for Company-provided group medical, dental and life insurance policies for up to three years;

the cost of an executive search agency not to exceed 10% of the executive's annual base salary;

the accelerated accrual and vesting of benefits under the SERP (for those executives who have been made participants of such plan); and for executives having fewer than seven years of participation in the SERP, up to three additional years of service can be credited, up to a maximum of seven years of service; and

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up to \$15,000 in fees and expenses of consultants and legal or accounting advisors.

In the case of each Named Executive Officer, the agreement also requires the executive to devote his or her best efforts to us or our successor during the three-year period, to maintain the confidentiality of our information during and following employment and to refrain from competitive activities for a period of one year following termination of employment with us or our successor.

### *Change in Control Provisions of Incentive Plans*

The EOPP also contains provisions that apply in the event of a change in control. For the year in which a change in control occurs, awards for such year are determined by using the participants' annual base salary as in effect immediately before the change in control and by assuming the performance goals for that year have been attained at target levels. Such awards must be paid to the participant within 10 days of the change in control.

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In addition, certain requirements are modified or eliminated, including the requirement that a participant remain employed through the end of the applicable incentive period, completion of an annual audit, review and approval by the Compensation Committee. The EOPP also includes a provision that eliminates the Compensation Committee's discretion to reduce awards.

The 2004 Omnibus Plan provides that, upon a change in control, unless otherwise provided in an agreement between us and the executive that discusses the effect of a change in control on the executive's awards:

all outstanding options granted under the 2004 Omnibus Plan that are unvested become fully vested; and

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 10 days of the date of the change in control.

The 2008 Omnibus Plan provides that, upon a change in control, unless otherwise provided in an agreement between us and the executive that discusses the effect of a change in control on the executive's awards:

all outstanding options granted under the 2008 Omnibus Plan that are unvested become fully vested;

all restrictions applicable to outstanding shares of restricted stock granted under the 2008 Omnibus Plan shall automatically lapse and any dividends declared but unpaid with respect to such restricted stock shall be paid to the executive within 10 days of the date of the change in control;

all restrictions applicable to outstanding restricted stock units and dividend equivalent units granted under the 2008 Omnibus Plan shall automatically lapse and any dividends declared but unpaid with respect to such dividend equivalent units shall be paid to the executive within 10 days of the date of the change in control; and

all cash settled performance units for which the performance period has not expired will be cancelled in exchange for a cash payment equal to the amount that would have been due under such awards if the performance goals measured at the time of the change in control were to continue to be achieved at the same rate through the end of the performance period, or if higher, assuming the target performance goals had been met at the time of the change in control.

Benefits pursuant to these compensation plans are also applicable to all other participants.

**Table of Contents****Quantification of Compensation Payable upon Change in Control**

The amount of compensation payable to each Named Executive Officer upon a change in control and termination of the executive by us other than for death, disability or cause or by the executive for good reason after a change in control is shown below. The amounts shown assume that such termination was effective as of December 31, 2011, and thus are estimates of the amounts that would be paid out to the executives upon a change in control or their termination following a change in control. The actual amounts to be paid out can only be determined at the time of such change in control or executive's separation.

	Cash Termination Payment	Stock Option Vesting	Restricted Stock and Restricted Stock Unit Vesting	Cash settled Performance Unit Vesting	SERP & Related Pension	Incentive Compensation	Outplacement	Legal & Accounting Advisors	Medical, Dental, Life Insurance	Total: Change in Control	Excise Tax Gross Up	Total: Change in Control Followed by Termination
	(2)	(1)	(1)	(1)	(2)	(1)	(2)	(2)	(2)	(1)	(2)	(2)
<b>Executive Randall J. Hogan John L.</b>	\$9,822,186	\$877,347	\$7,054,018	\$572,222	-	\$1,597,500	\$50,000	\$15,000	\$43,731	\$10,101,087	-	\$20,032,004
<b>Stauch Michael V.</b>	\$2,552,643	\$269,486	\$3,751,150	\$183,333	402,100	\$383,430	\$47,929	\$15,000	\$28,061	\$4,587,399	\$1,770,637	\$9,403,769
<b>Schrock Frederick</b>	\$3,424,435	\$354,586	\$3,101,762	\$250,000	-	\$564,826	\$50,000	\$15,000	\$42,845	\$4,271,174	-	\$7,803,454
<b>S. Koury Angela D.</b>	\$1,889,498	\$170,200	\$1,392,953	\$105,555	-	\$241,018	\$40,170	\$15,000	\$41,363	\$1,909,726	(47,324)	\$3,848,433
<b>Lageson</b>	\$1,420,173	\$45,454	\$540,530	\$77,778	\$366,045	\$195,000	\$32,500	\$15,000	\$27,163	\$858,762	\$994,453	\$3,714,096

(1) Triggered solely upon a change of control.

(2) Triggered only upon a change in control and a termination of the executive officer by us other than for death, disability or cause or by the executive for good reason.

The amounts above assume that:

our Common Stock was valued at \$33.29, the closing market price for our Common Stock on December 30, 2011;

outplacement services fees are the maximum possible under the change in control agreements (10% of annual base salary) for each executive officer, except for Mr. Hogan and Mr. Schrock, for which outplacement services are assumed to be \$50,000;

legal and accounting advisor fees are the maximum possible under the change in control agreements for each executive officer; and

medical, dental and life insurance coverage will continue for three years after termination at the current cost per year for each executive.

Under certain circumstances, as reflected above, we may pay to an executive covered by a change in control agreement an excise tax gross up. In determining the amount of any such gross up included in the tables above, we made the following material assumptions: an excise tax rate of

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20% under Section 280G of the Internal Revenue Code, a combined federal and state individual tax rate of 41.9%, and we would be able to overcome any presumption that grants of stock options or restricted stock units in 2011 were made in contemplation of a change in control pursuant to regulations promulgated under the Internal Revenue Code. In addition, no excise tax gross up will be made if the portion of the payments treated as parachute payments received by an executive in the event of a change in control can be reduced by not more than 10% and escape an excise tax. In that event, the payments will be reduced to the highest qualifying amount and no gross up will be paid. Furthermore, it was assumed that no value will be attributed to any non-competition agreement. At the time of any such change in control, a value may be attributed, which would result in a reduction of amounts subject to the excise tax.

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**Risk Considerations in Compensation Decisions**

The Committee believes that payment for performance is an important part of its compensation philosophy, but recognizes the risk that incentivizing specific measures of performance may pose to the performance of the Company as a whole if personnel were to act in ways designed primarily to maximize their compensation. Therefore the Committee annually reviews several factors in establishing compensation programs, setting compensation levels and selecting target measures for variable compensation programs.

The relative values of base salaries, annual cash bonuses and long-term equity grants for employees

The mix of incentive target performance measures for each business and for the Company as a whole under the Company's annual cash bonus programs

The relative weighting of target performance measures for each business and the Company as a whole

The impact of these performance measures on the Company's financial results

The likelihood that achievement of performance metrics could have material adverse impacts on Company financial performance in succeeding fiscal periods

The relative significance of each of the Company's businesses to its overall financial performance

The extent to which performance measures are not directly reflected in audited financial statements

The balance between the achievement of short-term objectives and longer-term value creation

The Committee will continue to assess our executive management programs to align employee interests with those of long-term shareholder interests.

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**PROPOSAL 2**

**Advisory Vote to Approve the Compensation of the Named Executive Officers**

Executive compensation is an important matter to us, the Board and the Compensation Committee and to our shareholders. As required by Section 14A of the Securities Exchange Act of 1934, we are asking our shareholders to vote, on a non-binding, advisory basis, on a resolution approving the compensation of the Named Executive Officers as disclosed under Compensation Discussion and Analysis and the compensation tables and narrative discussion under Executive Compensation contained in this Proxy Statement.

As we describe in detail under Compensation Discussion and Analysis and the compensation tables and narrative discussion under Executive Compensation contained in this Proxy Statement, we have designed our executive compensation programs to align executive and shareholder interests by rewarding the achievement of specific annual, longer-term and strategic goals that create long-term shareholder value. We utilize our executive compensation programs to provide competitive compensation within our peer group that will motivate and reward executives for achieving financial and strategic objectives, provide rewards commensurate with performance to incentivize the Named Executive Officers to perform at their highest levels, encourage innovation and growth, attract and retain the Named Executive Officers and other key executives and align our executive compensation with shareholders interests through the use of equity-based incentive awards.

The Compensation Committee has overseen the development and implementation of our executive compensation programs in line with these compensation objectives. The Compensation Committee also continuously reviews, evaluates and updates our executive compensation programs to ensure that we provide competitive compensation that motivates the Named Executive Officers to perform at their highest levels while increasing long-term value to our shareholders. With these compensation objectives in mind, the Compensation Committee has taken compensation actions including the following:

Linking the annual cash incentive for the Named Executive Officers to performance goals that correlated strongly with two primary corporate objectives of improving the financial return from our businesses and strengthening our balance sheet through cash flow improvement and debt reduction.

Having a significant portion of total compensation consist of annual and longer-term incentives, including the cash annual incentive and restricted stock units, stock option grants and cash settled performance units, that are at risk if certain performance goals are not satisfied or are subject to our future performance.

Requiring executive officers to maintain certain stock ownership levels through the establishment of stock ownership guidelines.

Generally limiting perquisites to a limited annual cash allowance and not providing tax reimbursements on such perquisites. The Compensation Committee's compensation actions like those described above demonstrate our continued commitment to align executive compensation with shareholders interests while providing competitive compensation to attract, motivate and retain the Named Executive Officers and other key executives. We will continue to review and adjust our executive compensation programs with these goals in mind to ensure the long-term success of our company and generate increased long-term value to our shareholders.

The Board and the Compensation Committee request the support of our shareholders for the compensation of the Named Executive Officers as disclosed in this Proxy Statement. This advisory vote to approve the compensation of the Named Executive Officers gives our shareholders the opportunity to make their opinions known about our executive compensation programs. As we seek to align our executive compensation

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programs with the interests of our shareholders while continuing to retain key talented executives that drive our company's success, we ask that our shareholders approve the compensation of the Named Executive Officers as disclosed in this Proxy Statement. Accordingly, for the reasons we discuss above, the Board and the Compensation Committee recommend that shareholders vote in favor of the following resolution:

**RESOLVED**, that the shareholders approve, on an advisory basis, the compensation of the Named Executive Officers as disclosed pursuant to Item 402 of Regulation S-K, including under Compensation Discussion and Analysis and the compensation tables and narrative discussion under Executive Compensation contained in the Proxy Statement.

This vote on the compensation of the Named Executive Officers is advisory and not binding on us, the Board or the Compensation Committee. Although the outcome of this advisory vote on the compensation of the Named Executive Officers is non-binding, the Board and the Compensation Committee will review and consider the outcome of this vote when making future compensation decisions for the Named Executive Officers.

**EACH OF THE BOARD AND THE COMPENSATION COMMITTEE UNANIMOUSLY**

**RECOMMENDS A VOTE FOR PROPOSAL 2.**

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**DIRECTOR COMPENSATION**

We use a combination of cash and equity-based incentive compensation to attract and retain qualified directors. Compensation of our directors reflects our belief that a significant portion of directors' compensation should be tied to long-term growth in shareholder value.

Mr. Hogan, our only employee-director, is not and will not be separately compensated for service as a member of the Board. Non-employee director compensation for 2011 was as set forth below.

**Annual Retainers**

Annual retainers for non-employee directors' service on the Board and Board Committees are as follows:

Board Retainer	\$ 40,000
Lead Director Supplemental Retainer	20,000
Audit Committee Chair Supplemental Retainer	20,000
Compensation Committee Chair Supplemental Retainer	10,000
Governance Committee Chair Supplemental Retainer	5,000
International Committee Chair Supplemental Retainer	5,000
Audit Committee Retainer	9,000
Other Committee Retainer (per committee)	4,000

**Attendance Fees**

For Board meetings, we paid each director \$2,000 for personal attendance and \$500 for attendance by telephone (or video conference). For committee meetings lasting less than two hours, we paid directors \$1,500 for personal attendance (\$2,000 for committee Chairs), and \$500 for attendance by telephone (or video conference). For committee meetings lasting longer than two hours, we paid the directors \$2,500 (\$3,000 for committee Chairs) for personal attendance and \$1,000 for attendance by telephone (or video conference). For our management's annual strategic planning meeting, we paid each director \$2,000 for personal attendance and \$500 for attendance by telephone.

**Deferred Compensation**

Under the Pentair, Inc. Compensation Plan for Non-Employee Directors, our non-employee directors may elect to defer payment of all or a portion of their annual retainers and meeting fees in the form of share units. The value of a share unit is equal to the market value of a share of Common Stock. Share units carry no voting or investment power. We currently match 15% of the amount of any annual retainer that is deferred. A portion of our directors' fees also may be paid directly in the form of share units under the equity compensation provisions of the Plan; however, no director was paid in that manner in 2011.

**Equity Awards**

Non-employee directors also receive a grant of options and restricted stock units under the 2008 Omnibus Plan as a part of their compensation. Options granted are exercisable at the closing price of our stock on the date of grant, have a ten-year term and vest in one-third increments on the first, second and third anniversaries of the grant date. Restricted stock units granted vest in one-third increments on each of the first, second and third anniversaries of the grant date. Each restricted stock unit represents the right to receive one share of our Common Stock upon vesting and includes one dividend equivalent unit, which entitles the holder to all cash dividends declared on a share of our Common Stock from and after the date of grant. Non-employee directors may elect to defer receipt of restricted stock units upon vesting under our Compensation Plan for Non-Employee Directors. All of our non-employee directors received option and restricted stock unit grants in 2011. Future grants of equity awards for non-employee directors will also be made under the 2008 Omnibus Plan, including those granted in January 2012.

**Table of Contents****Stock Ownership Guidelines**

Within five years after election, non-employee directors are expected to acquire and hold our Common Stock or stock equivalents having a value equal to five times the annual board retainer for non-employee directors.

**Stock Ownership for the Currently-Serving Directors as of December 31, 2011**

	Share Ownership	12/31/11 Market Value (\$) <sup>(1)</sup>	Ownership Guideline (\$)	Meets Guideline
Leslie Abi-Karam	3,622	120,576	200,000	No <sup>(2)</sup>
Glynis A. Bryan	13,730	457,072	200,000	Yes
Jerry W. Burris	6,281	209,094	200,000	Yes
T. Michael Glenn	8,584	285,761	200,000	Yes
Charles A. Haggerty	167,355	5,571,248	200,000	Yes
David H. Y. Ho	12,719	423,416	200,000	Yes
David A. Jones	33,241	1,106,593	200,000	Yes
Ronald L. Merriman	13,204	439,561	200,000	Yes
William T. Monahan	42,328	1,409,099	200,000	Yes

(1) Based on the closing market price for our Common Stock on December 30, 2011 of \$33.29.

(2) Ms. Abi-Karam became a director in February 2008 and will have five years from the commencement of service as a director to meet the stock ownership requirement.

**Director Compensation Table**

The table below summarizes the compensation that we paid to non-employee directors for the fiscal year ended December 31, 2011.

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Name (1)	Fees Earned or Paid in Cash	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Deferred Compensation Earnings	All Other Compensation	Total
	\$(2)	\$(3)	\$(4)	(\$)	(\$)	\$(5)	(\$)
Leslie Abi-Karam	76,500	43,045	42,501	-	-	2,229	164,275
Glynis A. Bryan	86,700	43,045	42,501	-	-	-	172,246
Jerry W. Burris	83,350	43,045	42,501	-	-	1,845	170,741
T. Michael Glenn	79,600	43,045	42,501	-	-	-	165,146
Charles A. Haggerty	83,850	43,045	42,501	-	-	-	169,396
David H. Y. Ho	94,450	43,045	42,501	-	-	-	179,996
David A. Jones	114,300	43,045	42,501	-	-	5,405	205,251
Ronald L. Merriman	117,475	43,045	42,501	-	-	357	203,378
William T. Monahan	107,500	43,045	42,501	-	-	-	193,046

(1) Randall Hogan, our Chief Executive Officer, is not included in this table as he is our employee and receives no compensation for his services as a director. The compensation received by Mr. Hogan as our employee during and for 2011 is shown under Executive

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Compensation Summary Compensation Table.

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- (2) The directors' deferred receipt of 2011 cash compensation in the form of share units under our Compensation Plan for Non-Employee Directors is as follows:

Name	2011 Fees Deferred (\$)	Share Units		Number of Deferred Share Units Held Under Compensation Plan for Non-Employee Directors as of 12/31/11 (a)
		Purchased with 2011	Deferred Fees	
Leslie Abi-Karam	-	-	-	3,163
Glynis A. Bryan	55,200	1,513	-	12,380
Jerry W. Burris	56,350	1,545	-	6,281
T. Michael Glenn	41,600	1,147	-	6,584
Charles A. Haggerty	83,850	2,312	-	77,200
David H. Y. Ho	94,450	2,579	-	12,719
David A. Jones	114,300	3,121	-	27,441
Ronald L. Merriman	7,475	204	-	1,452
William T. Monahan	-	-	-	20,095

- (a) Includes all share units in respect of deferred fees in all years of service as a director and all additional share units credited as a result of reinvestment of dividend equivalents, in each case net of distributions pursuant to distribution elections.
- (3) The amounts in column (c) represent the aggregate grant date fair value, computed in accordance with ASC 718 (formerly referred to as SFAS No. 123(R)), of restricted stock units granted during the fiscal year ended December 31, 2011. Assumptions used in the calculation of these amounts are included in footnote 14 to our audited financial statements for the fiscal year ended December 31, 2011 included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 21, 2012. As of December 31, 2011, each director had the following number of unvested restricted stock units: Leslie Abi-Karam: 2,084; Glynis A. Bryan: 2,084; Jerry W. Burris: 2,084; T. Michael Glenn: 2,084; Charles A. Haggerty: 2,084; David H. Y. Ho: 2,084; David A. Jones: 2,084; Ronald L. Merriman: 2,084; and William T. Monahan: 2,084.
- (4) The amounts in column (d) represent the aggregate grant date fair value, computed in accordance with ASC 718, of stock options granted during the fiscal year ended December 31, 2011. Assumptions used in the calculation of these amounts are included in footnote 14 to our audited financial statements for the fiscal year ended December 31, 2011 included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 21, 2012. As of December 31, 2011, each director had the following number of options outstanding: Leslie Abi-Karam: 31,849; Glynis A. Bryan: 87,582; Jerry W. Burris: 47,582; T. Michael Glenn: 47,582; Charles A. Haggerty: 77,469; David H. Y. Ho: 47,582; David A. Jones: 87,582; Ronald L. Merriman: 77,582; and William T. Monahan: 87,582.
- (5) The amounts in column (g) represent expenses related to director spousal or companion travel in conjunction with the director's attendance at board meetings.

**Table of Contents****SECURITY OWNERSHIP**

The following table contains information concerning the beneficial ownership of our Common Stock as of February 27, 2012, by each director, by each executive officer listed in the Summary Compensation Table, and by all directors and executive officers as a group. Based on filings with the SEC, the following table also contains information concerning each person we know who beneficially owned more than 5% of our Common Stock as of December 31, 2011.

Name of Beneficial Owner	Common Stock <sup>(1)</sup>	Share Units <sup>(2)</sup>	Right to	Restricted	ESOP Stock <sup>(5)</sup>	Total	Percent of Class <sup>(6)</sup>
			Acquire within 60 days <sup>(3)</sup>	Stock <sup>(4)</sup>			
Leslie Abi-Karam	1,307	3,182	26,974			31,463	
Glynis A. Bryan	1,350	13,576	82,707			97,633	
Jerry W. Burris		7,448	42,707			50,155	
T. Michael Glenn	2,000	7,687	42,707			52,394	
Charles A. Haggerty	90,155	78,912	62,335			231,402	
David H. Y. Ho		14,081	42,707			56,788	
Randall J. Hogan	504,283	16,039	2,147,389	4,899	1,585	2,674,195	2.71%
David A. Jones	5,800	28,982	82,707			117,489	
Frederick S. Koury	37,655		286,396	758	526	325,335	
Angela D. Lageson	2,456		60,734	800	823	64,804	
Ronald L. Merriman	11,752	2,350	72,707			86,809	
William T. Monahan	22,233	21,064	82,707			126,004	
Michael V. Schrock	140,268	11,632	737,599	1,741	1,585	892,825	
John L. Stauch	27,041	9,052	438,776	1,182	302	476,353	
Directors and executive officers as a group (16 persons)	883,836	214,006	4,377,808	12,563	15,505	5,503,718	5.57%
BlackRock, Inc. <sup>(7)</sup>	5,857,319					5,857,319	5.93%
Franklin Resources, Inc. <sup>(8)</sup>	5,006,896					5,006,896	5.07%
Charles B. Johnson							
Rupert H. Johnson, Jr.							
Franklin Advisory Services, LLC							
State Street Corporation <sup>(9)</sup>	5,309,875					5,309,875	5.38%
Wellington Management Company, LLP <sup>(10)</sup>	4,958,137					4,958,137	5.02%

- (1) Unless otherwise noted, all shares are held either directly or indirectly by individuals possessing sole voting and investment power with respect to such shares. Beneficial ownership of an immaterial number of shares held by spouses or trusts has been disclaimed in some instances. Amounts listed do not include 500,000 shares held by the Pentair, Inc. Master Trust for various pension plans sponsored by us or by our subsidiaries. The Trust Investment Committee of such Master Trust included Randall J. Hogan, John L. Stauch, Frederick S. Koury and Michael G. Meyer. Although these individuals could be deemed under applicable SEC rules to beneficially own all of the

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shares held by these pension plans because of their shared voting and investment power with respect to those shares, they disclaim beneficial ownership of such shares.

- (2) Represents for non-employee directors share units held under our Compensation Plan for Non-Employee Directors. No director has voting or investment power related to these share units. Represents for executive officers restricted stock units, receipt of which was deferred by the executive officer under the company's Non-Qualified Deferred Compensation Plan and over which the executive officers have no voting or investment power.
- (3) Represents stock options exercisable within 60 days from February 27, 2012 and, for Mrs. Lageson, restricted stock units to vest within 60 days from February 27, 2012.
- (4) Restricted shares issued pursuant to incentive plans as to which the beneficial owner has sole voting power but no investment power.
- (5) Represents shares owned as a participant in the ESOP. As of February 27, 2012, Fidelity Management Trust Company ( Fidelity ), the Trustee of the ESOP, held 2,396,988 shares of Common Stock (2.43%). Fidelity disclaims beneficial ownership of all shares. The ESOP participants have the right to direct the Trustee to vote their shares, although participants have no investment power over such shares. The Trustee, except as otherwise required by law, votes the shares for which it has received no direction from participants, in the same proportion on each issue as it votes those shares for which it has received voting directions from participants.
- (6) Less than 1% unless otherwise indicated.
- (7) Information derived from a Schedule 13G filed with the Securities and Exchange Commission on February 13, 2012. The address of BlackRock, Inc. is 40 East 52nd Street, New York, NY 10022. As of December 31, 2011, BlackRock, Inc. had sole voting power over 5,857,319 shares of our Common Stock, sole dispositive power over 5,857,319 shares of our Common Stock and beneficial ownership of 5,857,319 shares of our Common Stock.
- (8) Information derived from a Schedule 13G filed with the Securities and Exchange Commission on February 9, 2012 by each of the listed persons. The address of Franklin Resources, Inc. is One Franklin Parkway, San Mateo, CA 94403. Franklin Resources indicated in the filing that, as of December 31, 2011, Franklin Advisory Services, LLC had sole voting power over 4,963,516 shares of our Common Stock and sole dispositive power over 5,006,896 shares of our Common Stock, and that each of the listed persons had beneficial ownership of 5,006,896 shares of our Common Stock. Each of the listed persons disclaims beneficial ownership of all shares.
- (9) Information derived from a Schedule 13G filed with the Securities and Exchange Commission on February 9, 2012. The address of State Street Corporation is State Street Financial Center, One Lincoln Street, Boston, MA 02111. As of December 31, 2011, State Street Corporation had shared voting power over 5,309,875 shares of our Common Stock, shared dispositive power over 5,309,875 shares of our Common Stock and beneficial ownership of 5,309,875 shares of our Common Stock.
- (10) Information derived from a Schedule 13G filed with the Securities and Exchange Commission on February 14, 2012. The address of Wellington Management Company, LLP, is 280 Congress Street, Boston, MA 02210. As of December 31, 2011, State Street Corporation had shared voting power over 1,485,481 shares of our Common Stock, shared dispositive power over 4,958,137 shares of our Common Stock and beneficial ownership of 4,958,137 shares of our Common Stock.

**Table of Contents****PROPOSAL 3****Ratification of Appointment of Deloitte & Touche LLP****as Our Independent Registered Public Accounting Firm for 2012**

Our Audit Committee has approved the appointment of Deloitte & Touche LLP as our independent registered public accounting firm to audit our consolidated financial statements for the year ending December 31, 2012. We are seeking the shareholders' ratification of such action. If the shareholders do not ratify the appointment of Deloitte & Touche LLP, the Audit Committee will make another appointment effective for the subsequent fiscal year. Even if the shareholders ratify the appointment, the Audit Committee, in its discretion, may select a new independent auditor at any time that it believes such change would be in our best interests and in the best interests of our shareholders.

We expect that representatives of Deloitte & Touche LLP will attend the Annual Meeting and be available to make a statement or respond to appropriate questions.

**EACH OF THE BOARD AND THE AUDIT COMMITTEE UNANIMOUSLY****RECOMMENDS A VOTE FOR PROPOSAL 3.****AUDIT COMMITTEE DISCLOSURE****Audit Committee Pre-approval Policy**

The Audit Committee reviews and approves the external auditor's engagement and audit plan, including fees, scope, staffing and timing of work. In addition, the Audit Committee Charter limits the types of non-audit services that may be provided by the independent auditor. Any permitted non-audit services to be performed by the independent auditor must be pre-approved by the Audit Committee after the Committee is advised of the nature of the engagement and particular services to be provided. The Committee pre-approved audit fees and all permitted non-audit services of the independent auditor in 2011. Responsibility for this pre-approval may be delegated to one or more members of the Committee; all such approvals, however, must be disclosed to the Audit Committee at its next regularly scheduled meeting. The Audit Committee may not delegate authority for pre-approvals to management.

**Service Fees Paid to the Independent Registered Public Accounting Firm**

We engaged Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu and their respective affiliates (collectively, the Deloitte Entities) to provide various audit, audit-related, tax and other permitted non-audit services to us during fiscal years 2010 and 2011. Their fees for these services were as follows (in thousands):

	<b>2011</b>	<b>2010</b>
Audit fees, including aggregate fees for the audits of our annual financial statements and the effectiveness of internal controls over financial reporting, reviews of our quarterly financial statements, statutory audits and review of SEC filings	\$4,880	\$3,824
Audit-related fees, with respect to acquisitions and divestitures, employee benefit plan audits, accounting research and certain other attest services	555	216
<b>Total audit and audit-related fees</b>	<b>5,435</b>	<b>4,040</b>
Tax fees, relating to tax consulting and tax return assistance	1,768	895
All other fees relating to miscellaneous services	0	0
<b>Total fees paid to Deloitte Entities</b>	<b>\$7,203</b>	<b>\$4,935</b>



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**AUDIT COMMITTEE REPORT**

In connection with the financial statements for the fiscal year ended December 31, 2011, the Audit Committee has:

reviewed and discussed our audited financial statements for the fiscal year ended December 31, 2011, with management;

discussed with Deloitte & Touche LLP, our independent registered public accounting firm, the matters required to be discussed by AU Section 380 of the Public Company Accounting Oversight Board and Rule 2-07 of SEC Regulation S-X; and

received the written disclosure and letter from Deloitte & Touche LLP as required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee concerning independence.

Based upon these reviews and discussions, the Audit Committee recommended to the Board that our audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2011 filed with the Securities and Exchange Commission. The Board has approved this inclusion.

**THE AUDIT COMMITTEE**

Ronald L. Merriman, Chair

Leslie Abi-Karam

Jerry W. Burris

Charles A. Haggerty

David H. Y. Ho

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Our executive officers, directors and 10% shareholders are required under the Securities Exchange Act of 1934 to file reports of ownership and changes in ownership with the Securities and Exchange Commission and furnish copies of these reports to us.

We have reviewed copies of reports furnished to us, or written representations that no reports were required. Based solely on these reports, we believe that during 2011 our executive officers and directors complied with all such filing requirements, except for the inadvertent late filing of a Form 4 by our President and Chief Operating Officer, Michael V. Schrock, with respect to a transaction in July 2011.

**SHAREHOLDER PROPOSALS FOR THE 2013 ANNUAL MEETING OF SHAREHOLDERS**

The deadline for submitting a shareholder proposal for inclusion in our proxy statement and form of proxy for our 2013 Annual Meeting of Shareholders pursuant to Rule 14a-8 of the SEC is November 16, 2012. A shareholder who otherwise intends to present business at the 2013 Annual Meeting must comply with the requirements set forth in our By-Laws. The By-Laws state, among other things, that to bring business before an annual meeting, a shareholder must give written notice that complies with the By-Laws to our Secretary not less than 45 days nor more than 70 days prior to the first annual anniversary of the date when we first mailed our proxy statement to shareholders in connection with the immediately preceding annual meeting. Accordingly, we must receive notice of a shareholder proposal submitted under our By-Laws between December 28, 2012 and January 23, 2013. If the notice is received after January 23, 2013, then the notice will be considered untimely and we are not required to present such proposal at the 2013 Annual Meeting. If the Board chooses to present a proposal submitted under our By-Laws at the 2013 Annual Meeting, then the persons named in the proxies solicited by the Board for the 2013 Annual Meeting may exercise discretionary voting power with respect to such proposal. Shareholder proposals should be sent to us at our principal executive offices: 5500 Wayzata Boulevard, Suite 800, Minneapolis, MN 55416, Attention: Corporate Secretary.



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**OTHER BUSINESS**

Our management does not know of any other matter to be presented for action at the Annual Meeting. However, if any other matter should be properly presented at the Annual Meeting, the persons named in the proxy accompanying this Proxy Statement intend to vote the proxy in accordance with their best judgment.

**2011 ANNUAL REPORT ON FORM 10-K**

Any shareholder wishing to review, without charge, a copy of our 2011 Annual Report on Form 10-K (without exhibits) filed with the SEC should write to us at our principal executive offices: 5500 Wayzata Boulevard, Suite 800, Minneapolis, MN 55416, Attention: Corporate Secretary.

**REDUCE DUPLICATE MAILINGS**

To reduce duplicate mailings, we are now sending only one copy of any proxy statement or annual report to multiple shareholders sharing an address unless we receive contrary instructions from one or more of the shareholders. Upon written or oral request, we will promptly deliver a separate copy of the annual report or proxy statement to a shareholder at a shared address.

If you wish to receive separate copies of each proxy statement and annual report, please notify us by writing or calling Pentair, Inc., 5500 Wayzata Boulevard, Suite 800, Minneapolis, MN 55416, Attention: Corporate Secretary, Telephone: (763) 545-1730 or (800) 328-9626.

If you are receiving duplicate mailings, you may authorize us to discontinue mailings of multiple proxy statements and annual reports. To discontinue duplicate mailings, notify us by writing or calling Pentair, Inc., 5500 Wayzata Boulevard, Suite 800, Minneapolis, MN 55416, Attention: Corporate Secretary, Telephone: (763) 545-1730 or (800) 328-9626.

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*PENTAIR, INC.*

*ATTN: ANGELA LAGESON*

*5500 WAYZATA BLVD., SUITE 800*

*GOLDEN VALLEY, MN 55416-1261*

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions. **U.S. Only**

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**The Board of Directors recommends you vote FOR the following nominees:**

**1. Election of Directors**

<b>Nominees</b>	<b>For</b>	<b>Against</b>	<b>Abstain</b>
1a Charles A. Haggerty	..	..	..
1b Randall J. Hogan	..	..	..
1c David A. Jones	..	..	..

**The Board of Directors recommends you vote FOR proposals 2 and 3:**

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
<b>2</b> To approve by advisory vote, the compensation of our named executive officers.	..	..	..
<b>3</b> To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2012.	..	..	..

For address change/comments, mark here. ..  
 (see reverse for instructions)

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

Signature [PLEASE SIGN WITHIN BOX]

Date

Signature (Joint Owners)

Date

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**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:** The Notice & Proxy Statement, Annual Report is/are available at [www.proxyvote.com](http://www.proxyvote.com).

**PENTAIR, INC.**

**Annual Meeting of Shareholders**

**April 25, 2012 10:00 AM**

**This proxy is solicited by the Board of Directors**

The shareholder(s) hereby appoint(s) Randall J. Hogan and John L. Stauch, or either of them, as proxies, each with the power to appoint his substitute, and hereby authorizes them to represent and to vote, as designated on the reverse side of this ballot, all of the shares of Common stock of PENTAIR, INC. that the shareholder(s) is/are entitled to vote at the Annual Meeting of shareholder(s) to be held at 10:00 AM, CDT on April 25, 2012, at the Thrivent Financial Auditorium 625 4th Avenue South Minneapolis, MN, and any adjournment or postponement thereof.

Furthermore, if I am a participant in the Pentair, Inc. Employee Stock Ownership Plan (Pentair ESOP), I hereby direct Fidelity Management Trust Company as Pentair ESOP Trustee, to vote at the Annual Meeting of Shareholders of Pentair, Inc. to be held at 10:00 AM, CDT on April 25, 2012, at the Thrivent Financial Auditorium, 625 4th Avenue South, Minneapolis, Minnesota, and any adjournment or adjournments thereof, all shares of Common Stock of Pentair, Inc. allocated to my account in the Pentair ESOP as of February 27, 2012. I understand that my vote must be received by Broadridge Financial Solutions, acting as tabulation agent for the Pentair ESOP Trustee, by 11:59 p.m. April 22, 2012. If it is not received by that date, or if the voting instructions are invalid, the shares held in my account will be voted by Fidelity Management Trust Company, in the same proportion that the other participants direct them to vote shares allocated to their accounts.

**This proxy, when properly executed, will be voted in the manner directed herein. If no such direction is made, this proxy will be voted in accordance with the Board of Directors' recommendations.**

**Address change/comments:**

(If you noted any Address Changes and/or Comments above, please mark corresponding box on the reverse side.)

**Continued and to be signed on reverse side**

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