

ENPRO INDUSTRIES, INC

Form DEF 14A

March 31, 2010

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**SCHEDULE 14A  
(Rule 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT  
SCHEDULE 14A INFORMATION**

**PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

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 under Rule 14a-12

**EnPro Industries, 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:
  - (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:
  - (5) Total fee paid:
- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:
  - (2) Form, Schedule or Registration Statement No.:
  - (3) Filing Party:
  - (4) Date Filed:
-

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5605 Carnegie Boulevard, Suite 500  
Charlotte, North Carolina 28209

March 31, 2010

To Our Shareholders:

On behalf of the board of directors and management of EnPro Industries, Inc., I cordially invite you to our annual meeting of shareholders. The meeting will be held at the company's headquarters located at 5605 Carnegie Boulevard, Suite 500, Charlotte, North Carolina on Wednesday, May 5, 2010 at 12:00 noon.

The matters to be acted upon by the shareholders at this meeting are presented in the enclosed Notice to Shareholders, and the enclosed proxy statement contains information regarding these matters.

It is important that your shares be represented at this meeting. Even if you plan to attend, we encourage you to promptly sign, date and return your proxy card in the enclosed postage-paid envelope, or to cast your votes by telephone or over the Internet. Instructions for voting are provided on the proxy card.

Sincerely,

Stephen E. Macadam  
*President and Chief Executive Officer*

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5605 Carnegie Boulevard, Suite 500  
Charlotte, North Carolina 28209

NOTICE TO SHAREHOLDERS:

THE ANNUAL MEETING OF SHAREHOLDERS of EnPro Industries, Inc., a North Carolina corporation, will be held at the company's headquarters located at 5605 Carnegie Boulevard, Suite 500, Charlotte, North Carolina on Wednesday, May 5, 2010 at 12:00 noon to:

1. Elect nine directors to hold office until the next annual shareholders meeting or until their respective successors are elected and qualified;
2. Ratify the selection of PricewaterhouseCoopers LLP as our external auditors for 2010; and
3. Transact such other business as may properly come before the meeting or any adjournment of the meeting.

Information about these matters is contained in the proxy statement attached to this notice.

The board of directors has fixed March 1, 2010 as the record date for determining shareholders entitled to notice of and to vote at the meeting. Only those who were registered shareholders at the close of business on that date are entitled to notice of and to vote at the meeting or any adjournment of the meeting.

The board hereby solicits a proxy for use at the meeting, in the form accompanying this notice, from each holder of our common stock. Shareholders may withdraw their proxies at the meeting if they desire to vote their shares in person, and they may revoke their proxies for any reason at any time prior to the voting of the proxies at the meeting.

**It is important that you be represented at the meeting regardless of the number of shares you own. To help us minimize the expense associated with collecting proxies, please execute and return the enclosed proxy card promptly or cast your votes by telephone or over the Internet. No postage is required if the proxy is mailed in the United States.**

By Order of the Board of Directors,

Richard L. Magee  
*Secretary*

March 31, 2010

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON MAY 5, 2010:**

The proxy statement and 2009 annual report to shareholders are available at <http://2010annualmeeting.enproindustries.com>.

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**2010 ANNUAL MEETING OF SHAREHOLDERS  
OF  
ENPRO INDUSTRIES, INC.**

**PROXY STATEMENT**

**GENERAL INFORMATION**

The enclosed proxy is solicited on behalf of the board of directors of EnPro Industries, Inc., in connection with our annual meeting of shareholders to be held on Wednesday, May 5, 2010, at 12:00 noon at the company's headquarters located at 5605 Carnegie Boulevard, Suite 500, Charlotte, North Carolina, and at any adjournment or postponement of the meeting. You may use the enclosed proxy card whether or not you attend the meeting. If you are a registered shareholder (that is, you hold shares directly registered in your own name), you may also vote by telephone or over the Internet by following the instructions on your proxy card. If your shares are held in the name of a bank, broker or other nominee, which is referred to as holding in street name, you will receive separate voting instructions with your proxy materials. Although most brokers and nominees offer telephone and Internet voting, availability and specific procedures depend on their voting arrangements.

Your vote is very important. For this reason, we encourage you to date, sign, and return your proxy card in the enclosed envelope. Doing so will permit your shares of our common stock to be represented at the meeting by the individuals named on the enclosed proxy card.

This proxy statement contains important information for you to consider when deciding how to vote on the matters brought before the meeting. Please read it carefully.

We are mailing our 2009 annual report, including financial statements, with this proxy statement to each registered shareholder. We will begin mailing these materials on or around March 31, 2010. Any shareholder may receive an additional copy of these materials by request to our investor relations department. You may reach the investor relations department via email to [investor@enproindustries.com](mailto:investor@enproindustries.com) or by calling 704-731-1548.

***What is the purpose of the annual meeting?***

At our annual meeting, shareholders will act on proposals for the following matters:

Electing nine directors; and

Ratifying the appointment of PricewaterhouseCoopers LLP as our external auditors for 2010.

Our board of directors has submitted these proposals. Other business may be addressed at the meeting if it properly comes before the meeting. However, we are not aware of any such other business.

***Who is entitled to vote at the meeting?***

You may vote if you owned EnPro common stock as of the close of business on the record date, March 1, 2010. Each share of common stock is entitled to one vote on each matter considered at the meeting. At the close of business on the record date, 20,296,467 shares of EnPro common stock were outstanding and eligible to vote, which amount does not include 210,973 shares held by a subsidiary. The enclosed proxy card shows the number of shares that you are entitled to vote.

***Who can attend the meeting?***

All registered shareholders as of the record date (or their duly appointed proxies), beneficial owners presenting satisfactory evidence of ownership as of the record date, and our invited guests may attend the meeting.



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***How do I vote?***

If you are a registered shareholder, you have four voting options:

over the Internet, which we encourage if you have Internet access, at the address shown on the enclosed proxy card;

by telephone through the number shown on the enclosed proxy card;

by mail, by completing, signing, dating and returning the enclosed proxy card; or

in person at the meeting.

Even if you plan to attend the meeting, we encourage you to vote your shares by proxy. If you choose to attend the meeting, please bring proof of stock ownership and proof of identification for entrance to the meeting.

If you hold your EnPro shares in street name, your ability to vote by Internet or telephone depends on the voting process of the bank, broker or other nominee through which you hold the shares. Please follow their directions carefully. If you want to vote EnPro shares that you hold in street name at the meeting, you must request a legal proxy from your bank, broker or other nominee and present that proxy, together with proof of identification, for entrance to the meeting.

**Every vote is important! Please vote your shares promptly.**

***How do I vote my 401(k) shares?***

Proxies will also serve as voting instructions to the plan trustee with respect to shares held in accounts under the EnPro Industries, Inc. Retirement Savings Plan for Salaried Employees and the EnPro Industries, Inc. Retirement Savings Plan for Hourly Employees. If you participate in either of these plans, are a registered shareholder of record, and the plan account information is the same as the information we have on record with our transfer agent, the enclosed proxy card represents all of the shares you hold, both within the plan and outside it. If you hold your shares outside the plan in street name, or if your plan account information is different from the information on record with the transfer agent, then you will receive separate proxies, one for the shares held in the plan and one for shares held outside the plan.

***What can I do if I change my mind after I vote my shares?***

Even after you have submitted your vote, you may revoke your proxy and change your vote at any time before voting begins at the annual meeting. If you are a registered shareholder, you may do this in three ways:

by timely delivering to our Secretary, or at the meeting, a later dated signed proxy card;

by voting on a later date by telephone or over the Internet (only your last dated proxy card or telephone or Internet vote is counted); or

if you attend the meeting, by voting your shares in person.

Your attendance at the meeting will not automatically revoke your proxy; you must specifically revoke it.

If you hold your shares in street name, you should contact your bank, broker or other nominee to find out how to revoke your proxy. If you have obtained a legal proxy from your nominee giving you the right to vote your shares, you may vote by attending the meeting and voting in person or by sending in an executed proxy with your legal proxy form.

***Is there a minimum quorum necessary to hold the meeting?***

In order to conduct the meeting, a majority of EnPro shares entitled to vote must be present in person or by proxy. This is called a quorum. If you return valid proxy instructions or vote in person at the meeting, you will be considered part of the quorum. For purposes of determining whether a quorum is present, abstentions and broker non-votes will be counted as shares that are present and entitled to vote.

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### ***How will my vote be counted?***

If you provide specific voting instructions, your EnPro shares will be voted as you have instructed. If you hold shares in your name and sign and return a proxy card or vote by telephone or Internet without giving specific voting instructions, your shares will be voted as our board of directors has recommended. If you hold your shares in your name (you are the record holder) and do not give valid proxy instructions or vote in person at the meeting, your shares will not be voted. If you hold your shares in street name and do not give your bank, broker or other nominee instructions on how you want your shares to be voted, those shares are considered uninstructed and a bank, broker or other nominee generally has the authority to vote those shares on matters that are determined to be routine under the New York Stock Exchange rules. Under recent changes to the New York Stock Exchange's rules, the election of directors is no longer considered to be routine for this purpose, which means that a broker or broker nominee may not vote shares in the election of directors unless it receives voting instructions. The other proposals to be acted upon at the meeting are considered routine under the New York Stock Exchange rules, which means that a bank, broker or other nominee has voting discretion as to any uninstructed shares on those matters.

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

Directors are elected by a plurality of the votes cast at the meeting. Plurality means that the director nominees who receive the largest number of votes cast are elected, up to the maximum number of directors to be elected at the meeting. The maximum number to be elected is nine. Shares not voted will have no impact on the election of directors. Unless proper voting instructions are to WITHHOLD authority for any or all nominees, the proxy given will be voted FOR each of the nominees for director.

Under our Corporate Governance Guidelines, any nominee for director in an uncontested election who receives a greater number of votes withheld from his or her election than votes for his or her election must promptly offer his or her resignation. The board's Nominating and Corporate Governance Committee will then consider the resignation and recommend to the board whether to accept or reject it. The board will act on the Nominating Committee's recommendation within 90 days after the shareholders' meeting, and the board's decision (including an explanation of the process by which the decision was reached) will be publicly disclosed on Form 8-K. Any director who offers his or her resignation may not participate in the board's discussion or vote.

The proposal to ratify the appointment of our external auditors will be approved if more votes are cast in favor of the proposal than are cast against it.

### ***How do abstentions and broker non-votes count for voting purposes?***

For the election of directors, only votes FOR a nominee will count. For the ratification of the appointment of our external auditors, only votes for or against the proposal count. Broker non-votes, if any, and, in the case of the ratification of the appointment of our auditors, abstentions will not be counted as votes cast for these proposals. Abstentions and broker non-votes will count for determining whether a quorum is present.

### ***Is there a list of shareholders entitled to vote at the annual meeting?***

You may examine a list of the shareholders entitled to vote at the meeting. We will make that list available at our main executive offices at 5605 Carnegie Boulevard, Suite 500, Charlotte, North Carolina, from May 4, 2010 through the end of the meeting. The list will also be available for inspection at the meeting.

### ***What are the board's recommendations?***

Your board of directors recommends that you vote:

**FOR** each of our nominees to the board of directors; and

**FOR** ratifying PricewaterhouseCoopers LLP as our external auditors for 2010.

Proxy cards or telephone and Internet instructions to vote the proxy that are validly submitted and timely received, but that do not contain instructions on how you want to vote will be voted in accordance with the board's recommendations.

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With respect to any other matter that properly comes before the meeting, the proxy holders will vote as recommended by the board of directors or, if no recommendation is given, in their own discretion.

### ***How can I find out the results of the vote?***

We will publish final voting results in a report on Form 8-K to be filed with the Securities and Exchange Commission (SEC) within four business days after the meeting. In addition, we intend to post the voting results from the meeting on our website, [www.enproindustries.com](http://www.enproindustries.com).

### ***What is householding and how does it affect me?***

To reduce the expenses of delivering duplicate proxy materials to our shareholders, we are relying on SEC rules that allow us to deliver only one proxy statement and annual report to multiple shareholders who share an address unless we have received contrary instructions from any shareholder at that address. If you share an address with another shareholder and have received only one proxy statement and annual report, you may write or call us to request a separate copy of these materials and we will promptly send them to you at no cost to you. For future meetings, if you hold shares directly registered in your own name, you may request separate copies of our proxy statement and annual report. Alternatively, you may request that we send only one set of materials if you are receiving multiple copies. You may make any of these requests by contacting us at [investor@enproindustries.com](mailto:investor@enproindustries.com) or by calling 704-731-1548.

If your shares are held in the name of a bank, broker or other nominee and you wish to receive separate copies of our proxy statement and annual report, or request that we send only one set of these materials to you if you are receiving multiple copies, please contact your nominee.

### ***Can I access these proxy materials on the Internet?***

You can access this proxy statement and our 2009 annual report on Form 10-K, which includes our annual report to shareholders, on our Internet site at [www.enproindustries.com](http://www.enproindustries.com). If you are a registered shareholder, you can choose to receive these documents over the Internet in the future by accessing [www.bnymellon.com/shareowner/isd](http://www.bnymellon.com/shareowner/isd) and following the instructions provided on that website. This could help us save significant printing and mailing expenses. If you choose to receive your proxy materials and annual report electronically, then prior to next year's shareholder meeting you will receive an e-mail notification when the materials and annual report are available for on-line review, as well as the instructions for voting electronically over the Internet. Your choice for electronic distribution will remain in effect until you revoke it by sending a written request to our offices at 5605 Carnegie Boulevard, Suite 500, Charlotte, North Carolina 28209, Attention: Investor Relations.

If your shares are held through a bank, broker or other nominee, check the information provided by that entity for instructions on how to elect to view future proxy statements and annual reports over the Internet.

### ***Who will solicit votes and pay for the costs of this proxy solicitation?***

We will pay the costs of the solicitation. Our officers, directors and employees may solicit proxies personally, by telephone, mail or facsimile, or via the Internet. These individuals will not receive any additional compensation for their solicitation efforts. You may also be solicited by means of press releases issued by EnPro, postings on our website, [www.enproindustries.com](http://www.enproindustries.com), and advertisements in periodicals. We have engaged The Proxy Advisory Group, LLC, to assist in the solicitation of proxies and provide related advice and informational support, for a services fee and the reimbursement of customary disbursements that together are not expected to exceed \$10,000 in the aggregate. In addition, upon request we will reimburse banks, brokers and other nominees representing beneficial owners of shares for their expenses in forwarding voting materials to their customers who are beneficial owners and in obtaining voting

instructions.

***Who will count the votes?***

The BNY Mellon Shareowner Services, our registrar and transfer agent, will count the votes.

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BENEFICIAL OWNERS AND MANAGEMENT*****Who are the largest owners of our common stock?***

The following table sets forth information about the individuals and entities who held more than 5% of our common stock as of March 1, 2010. This information is based solely on SEC filings made by the individuals and entities by that date.

<b>Name and Address of Beneficial Owner(7)</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Percent of Class(1)</b>
Lord, Abbett & Co LLC(2) 90 Hudson Street Jersey City, NJ 07302	2,374,061	11.7%
Keeley Asset Management Corp. <i>et al.</i> (3) 401 South LaSalle Street Chicago, IL 60605	1,862,629	9.2%
BlackRock, Inc. <i>et al.</i> (4) 40 East 52 <sup>nd</sup> Street New York, NY 10022	1,846,487	9.1%
Bank of America Corporation <i>et al.</i> (5) 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	1,198,836	5.9%
LSV Asset Management(6) 1 N. Wacker Drive, Suite 4000 Chicago, IL 60606	1,071,798	5.3%

- (1) Applicable percentage ownership is based on 20,296,467 shares of our common stock outstanding at March 1, 2010 entitled to vote at the annual meeting.
- (2) This information is based on a Schedule 13G amendment dated February 12, 2010 filed with the SEC by Lord, Abbett & Co. LLC as of December 31, 2009. Lord, Abbett & Co. LLC reports sole voting power over 2,157,339 shares and sole dispositive power over 2,374,039 shares. In this Schedule 13G amendment, Lord, Abbett & Co. LLC stated that the shares reported as being beneficially owned by Lord, Abbett & Co. LLC are held on behalf on investment advisory clients, which may include investment companies registered under the Investment Company Act, employee benefit plans, pension funds or other institutional clients, and that as of December 31, 2009, Lord Abbett Research Fund, Inc. Small-Cap Value Series had the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, more than 5 percent of the shares.

In a separate Schedule 13G dated February 12, 2010 Lord Abbett Research Fund, Inc. Small-Cap Value Series, 90 Hudson Street, Jersey City, New Jersey 07302, reported that as of December 31, 2009, it had sole voting power and sole dispositive power over 1,055,900 shares.

- (3) This information is based on a Schedule 13G amendment dated February 5, 2010 filed with the SEC by Keeley Asset Management Corp. and Keeley Small Cap Value Fund reporting beneficial ownership as of December 31, 2009. Keeley Asset Management Corp. reports sole voting power over 1,797,399 shares and sole dispositive power over 1,862,629 shares.
- (4) This information is based on a Schedule 13G dated January 29, 2010 filed with the SEC by BlackRock Inc. as of December 31, 2009. On December 1, 2009, BlackRock acquired Barclays Global Investors, N.A.. The holdings reflect those of Black Rock, Barclays and their respective affiliates, including BlackRock Advisors (UK) Limited, BlackRock Institutional Trust Company, N.A., BlackRock Fund Advisors, BlackRock Asset



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Management Australia Limited, BlackRock Advisors, LLC, BlackRock Investment Management, LLC, and BlackRock International Ltd.

- (5) This information is based on a Schedule 13G amendment dated February 2, 2010 filed with the SEC by Bank of America Corporation, Bank of America, N.A., Columbia Management Advisors, LLC, Banc of America Investment Advisors, Inc., IQ Investment Advisors LLC and Merrill Lynch, Pierce, Fenner & Smith, Inc., reporting beneficial ownership as of December 31, 2009. Bank of America Corporation reports shared voting power over 1,198,836 shares and shared dispositive power over 1,177,305 shares; Bank of America, N.A. reports sole voting power over 718,185 shares, shared voting power over 475,155 shares, sole dispositive power over 718,685 shares and shared dispositive power over 453,124 shares; Columbia Management Advisors, LLC reports sole voting power over 541,062 shares, sole dispositive power over 450,984 shares and shared dispositive power over 2,120 shares; Bank of America Investment Advisors, Inc. reports shared voting power over 23,873 shares; IQ Investment Advisors LLC reports shared voting power and shared dispositive power over 2,400 shares; and Merrill Lynch, Pierce, Fenner & Smith, Inc. reports sole voting power and sole dispositive power over 3,096 shares.
- (6) This information is based on a Schedule 13G dated February 10, 2010 filed with the SEC by LSV Asset Management reporting beneficial ownership as of December 31, 2009. LSV Asset Management reports sole voting power and sole dispositive power over 1,071,798 shares.
- (7) The foregoing table does not include Zazove Associates, LLC, 1001 Tahoe Boulevard, Incline Village, Nevada 89451, which filed a Schedule 13G dated January 26, 2010 with the SEC reporting beneficial ownership of 1,158,345 shares, as to which it reported sole voting power and sole dispositive power, by virtue of its ownership of our 3.9375% Convertible Senior Debentures due 2015 because as of March 1, 2010 none of the conditions permitting the conversion of these debentures had been satisfied.

***How much stock do our directors, director nominees and executive officers own?***

The following table sets forth information as of March 1, 2010 about the shares of our common stock that the following individuals beneficially own:

our current directors and any individual who served as a director in 2009;

director nominees; and

the executive officers and former executive officer listed in the summary compensation table that begins on page 33.

It also includes information about the shares of our common stock that our current directors and executive officers own as a group.

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Name of Beneficial Owner	Amount and Nature	Directors	Directors	Percent of Class(4)
	of Beneficial Ownership(1)	Phantom Shares(2)	Stock Units(3)	
William R. Holland	35,000	23,084		*
Stephen E. Macadam	184,068			*
J. P. Bolduc	1,000	23,084	1,520	*
Peter C. Browning	4,340	23,084	7,599	*
Diane C. Creel		3,112		*
Don DeFosset		7,509		*
Gordon D. Harnett	2,060	23,084	6,483	*
David L. Hauser	800	10,077	2,176	*
Wilbur J. Prezzano, Jr.		11,048	10,488	*
William Dries	167,967			*
Richard L. Magee	136,356			*
J. Milton Childress II	20,994			*
Robert P. McKinney	3,750			*
Dale A. Herold	3,000			*
17 directors and executive officers as a group	586,156	124,082	28,266	2.9%

\* Less than 1%

- (1) These numbers include the following shares that the individuals may acquire within 60 days after March 1, 2010 through the exercise of stock options: Mr. Macadam, 66,666 shares; Mr. Dries, 60,600 shares; Mr. Magee, 53,000 shares; all directors and executive officers as a group, 190,866 shares. The numbers also include shares held in our Retirement Savings Plan for Salaried Employees, allocated as follows: Mr. Dries, 1,684 shares and Mr. Magee, 1,323 shares. In addition, these numbers include restricted shares as follows: Mr. Macadam, 53,500 shares; Mr. Dries, 11,220 shares; Mr. Magee, 10,209 shares; Mr. Childress, 7,926 shares; and Mr. Herold, 3,000 shares. All other ownership is direct, except that Mr. Dries indirectly owns 100 shares, which are owned by his spouse, and Mr. McKinney indirectly owns 75 shares, which are owned by his children, and that all directors and executive officers as a group include 175 shares held indirectly, which shares are owned by family members. This does not include the Restricted Share Units as follows: Mr. Macadam, 46,769 share units; Mr. Dries, 17,305 share units; Mr. Magee, 13,413 share units; Mr. Childress, 4,945 share units; Mr. McKinney, 3,844 share units; and Mr. Herold, 5,599 share units.
- (2) These numbers reflect the phantom shares awarded under our Outside Directors Phantom Share Plan and the phantom shares awarded to non-employee directors under our Amended and Restated 2002 Equity Compensation Plan. When they leave the board, these directors will receive cash in an amount equal to the value of the phantom shares awarded under the Outside Directors Phantom Share Plan and shares of our common stock for phantom shares awarded under the Amended and Restated 2002 Equity Compensation Plan. See Corporate Governance Policies and Practices Director Compensation. Because the phantom shares are not actual shares of our common stock, these directors have neither voting nor investment authority in common stock arising from their ownership of these phantom shares.
- (3)

These numbers reflect the number of stock units credited to those non-employee directors who have elected to defer all or a part of the cash portion of their annual retainer and meeting fees pursuant to our Deferred Compensation Plan for Non-Employee Directors. See Corporate Governance Policies and Practices Director Compensation. Because the stock units are not actual shares of our common stock, the directors have neither voting nor investment authority in common stock arising from their ownership of these stock units.

- (4) These percentages do not include the directors phantom shares or stock units described in Notes 2 and 3. Applicable percentage ownership is based on 20,296,467 shares of our common stock outstanding at March 1, 2010 entitled to vote at the annual meeting.

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

Section 16(a) of the Exchange Act requires our directors and officers and people who own more than 10% of our common stock to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of our common stock. The SEC requires these people to give us copies of all Section 16(a) reports they file.

We have reviewed the copies of all reports furnished to us. Based solely on this review, we believe that no director, officer, or 10% shareholder failed to timely file in 2009 any report required by Section 16(a).

**PROPOSAL 1 ELECTION OF DIRECTORS**

(Item 1 on the proxy card)

One of the purposes of the meeting is the election of nine directors to hold office until the annual shareholders meeting in 2011 or until their respective successors are elected and qualified. The board of directors has nominated the nine persons named on the following pages. All of the nominees are incumbent directors whose terms would otherwise expire upon the election of directors at the meeting. Properly executed proxies that do not contain voting instructions will be voted for the election of each of these nominees.

All nominees have indicated that they are willing to serve as directors if elected. If any nominee should become unable or unwilling to serve, the proxies will be voted for the election of such person as the board of directors may designate to replace such nominee.

**The board recommends that you vote FOR the election of each of the nominees for director named below.**

**Nominees for Election**

**WILLIAM R. HOLLAND, 71**

Mr. Holland has served as a director and as Chairman of the Board since May 2002. He was Chairman from 1987 through 2001, and Chief Executive Officer from 1986 to 2000, of United Dominion Industries Limited, a diversified manufacturing company that was acquired by SPX Corporation in May 2001. He joined United Dominion in 1973 as Vice President and General Counsel. He held various executive positions with United Dominion prior to serving as Chief Executive Officer and Chairman. Mr. Holland is also a director of Goodrich Corporation and Lance, Inc., both publicly traded companies, and Crowder Construction Company and ERC, Ltd., which are privately owned companies. In addition, Mr. Holland serves as a corporate member of the Jupiter Florida Medical Center, on the Advisory Board of the Walker School of Business of Appalachian State University, and as a director of the Carolinas Healthcare Foundation. He was named as an Outstanding Director in 2008 by the Outstanding Directors Institute. Mr. Holland earned a B.S. B.A. degree in law and a J.D. from the University of Denver.

**STEPHEN E. MACADAM, 49**

Mr. Macadam has served as our Chief Executive Officer and President, and as a director, since April 2008. Prior to accepting these positions with EnPro, Mr. Macadam served as Chief Executive Officer of BlueLinx Holdings Inc. since October 2005. Before joining BlueLinx Holdings Inc., Mr. Macadam was the President and Chief Executive Officer of Consolidated Container Company LLC since August 2001. He served previously with Georgia-Pacific Corp. where he held the position of Executive Vice President, Pulp & Paperboard from July 2000 until August 2001, and the position of Senior Vice President, Containerboard & Packaging from March 1998 until July 2000.

Mr. Macadam held positions of increasing responsibility with McKinsey and Company, Inc. from 1988 until 1998, culminating in the role of principal in charge of McKinsey's Charlotte, North Carolina operation. Mr. Macadam is a director of Georgia Gulf Corporation. During the past five years, Mr. Macadam served as a director of BlueLinx Holdings Inc. and Solo Cup Company. Mr. Macadam received a B.S. in mechanical engineering from the University of Kentucky, an M.S. in finance from Boston College and an M.B.A. from Harvard University, where he was a Baker Scholar.

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**J.P. BOLDUC, 70**

Mr. Bolduc has served as a director since 2002. He has been Chairman of the Board and Chief Executive Officer of JPB Enterprises, Inc., an investment banking, private equity and real estate investment holding company, since 1995. Mr. Bolduc served as acting Chief Executive Officer of J.A. Jones, Inc. from April 2003 to September 2004. He was President and Chief Executive Officer of W.R. Grace & Co. from 1990 to 1995, having served as Chief Financial Officer from 1986 to 1989. Mr. Bolduc has been a presidential appointee to three U.S. Presidents, serving as the Assistant Secretary of Agriculture from 1973 to 1976, and from 1982 to 1985 serving as the Chief Operating Officer for President Reagan's Private Sector Survey on Cost Control, which was commonly known as the Grace Commission. Earlier in his career, Mr. Bolduc was a certified internal auditor. Mr. Bolduc is a trustee of the William E. Simon Graduate School of Business at the University of Rochester, a member of the Advisory Council for Graduate Studies and Research at the University of Notre Dame, and a director of the Edison Preservation Foundation of Baltimore. He is also a director of Unisys Corporation and Lance, Inc. During the past five years, Mr. Bolduc was also a director of MCG, PLC and J.A. Jones, Inc. Mr. Bolduc earned a B.S. in accounting from St. Cloud State University in Minnesota.

**PETER C. BROWNING, 68**

Mr. Browning has served as a director since 2002. He was the Dean of the McColl School of Business at Queens University from March 2002 through May 2005. He has served as lead director of Nucor Corporation, a steel manufacturer, since May 2006 and served as Non-Executive Chairman of Nucor from September 2000 to May 2006. From 1998 to 2000, Mr. Browning was President and Chief Executive Officer, and from 1995 to 1998, President and Chief Operating Officer, of Sonoco Products Company, a manufacturer of industrial and consumer packaging. Prior to joining Sonoco Products Company, Mr. Browning served from 1990 to 1993 as Chairman, President and Chief Executive Officer of National Gypsum Company, guiding that company through its emergence from Chapter 11 bankruptcy proceedings in 1993. Prior to joining National Gypsum Company, Mr. Browning spent 24 years with Continental Can Company, rising to Executive Vice President - Operating Officer from an initial position as a sales trainee. In addition to Nucor, Mr. Browning also serves as director of Acuity Brands, Inc. and Lowe's Companies, Inc. During the past five years, Mr. Browning was also a director of Wachovia Corporation and The Phoenix Companies. Mr. Browning is a founding member of the Lead Director Network and a member of the faculty for The Conference Board's Directors' Institute. He was named as an Outstanding Director in 2004 by the Outstanding Directors Institute. He is a lifetime member of the Council on the Chicago Booth School of Business. Mr. Browning received a B.A. from Colgate University and an M.B.A. from the University of Chicago.

**DIANE C. CREEL, 61**

Ms. Creel has served as a director since October 28, 2009. Prior to her retirement in September 2008, Ms. Creel served from May 2003 as Chairman, Chief Executive Officer and President of Ecovation, Inc., a wastewater management systems company. Prior to joining Ecovation, Ms. Creel served as Chief Executive Officer and President of Earth Tech, Inc., an international consulting engineering firm, from January 1993 to May 2003. She previously served as Chief Operating Officer of Earth Tech from 1987 to 1993 and Vice President from 1984 to 1987. Ms. Creel was director of business development and communications for CH2M Hill from 1978 to 1984, manager of communications for Caudill Rowlett Scot from 1976 to 1978, and director of public relations for LBC&W, Architects-Engineers-Planners from 1971 to 1976. Ms. Creel currently serves on the boards of directors of Allegheny Technologies Incorporated and Goodrich Corporation. During the past five years, Ms. Creel also served as a director of Foster Wheeler, Inc., Teledyne Technologies Incorporated and the corporations and trusts that comprise the Fixed Income Fund of the American Funds Group of Capitol Management Corporation. Ms. Creel has a B.A. and M.A. from the University of South Carolina.

**DON DEFOSSET, 61**

Mr. DeFosset has served as a director since 2008. He is the former Chairman, President and Chief Executive Officer of Walter Industries, Inc., a diversified company with businesses in water infrastructure, flow control, water transmission products, metallurgical coal and natural gas, and homebuilding. He served as Chairman of Walter Industries from March 2002 to September 2005, and as President and Chief Executive Officer from November 2000

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to September 2005. He is also a director of Regions Financial Corporation, Terex Corporation and National Retail Properties, Inc. During the past five years, Mr. DeFosset also served as a director of James Hardie Industries, N.V. and AmSouth Bancorporation. Mr. DeFosset serves as Vice Chairman of the Board of Trustees of the University of Tampa. Mr. DeFosset received a B.A. from Purdue University and an M.B.A. from Harvard University.

**GORDON D. HARNETT, 67**

Mr. Harnett has served as a director since 2002. He retired as Chairman and Chief Executive Officer of Brush Engineered Materials Inc., a provider of metal-related products and engineered material systems, in May 2006. Prior to joining Brush Engineered Materials in 1991, Mr. Harnett served from 1988 to 1991 as a Senior Vice President of B.F. Goodrich Company (now known as Goodrich Corporation), and from 1977 to 1988, he held a series of senior executive positions with Tremco Inc., a wholly owned subsidiary of Goodrich, including President and Chief Executive Officer from 1982 to 1988. Mr. Harnett is also a director of Acuity Brands, Inc., The Lubrizol Corporation and PolyOne Corporation, where he serves as lead director. Mr. Harnett received a B.S. from Miami University and an M.B.A. from Harvard University.

**DAVID L. HAUSER, 58**

Mr. Hauser has served as a director since 2007. He has served as Chairman of the Board and Chief Executive Officer of FairPoint Communications, Inc., a communications services company, since July 1, 2009. Prior to joining FairPoint Communications, Inc., Mr. Hauser had a 35-year career with Duke Energy Corporation, one of the largest electric power companies in the United States. Mr. Hauser served as Group Executive and Chief Financial Officer of Duke Energy Corporation from April 2006 until June 30, 2009, and as Chief Financial Officer and Group Vice President from February 2004 to April 2006. He was acting Chief Financial Officer from November 2003 to February 2004 and Senior Vice President and Treasurer from June 1998 to November 2003. During his first 20 years with Duke Energy Corporation, Mr. Hauser served in various accounting positions, including controller. Mr. Hauser is a director of FairPoint Communications, a trustee of the North Carolina Blumenthal Performing Arts Center, a member of the Board of Trustees of Furman University and a member of the Board of Trustees of the University of North Carolina at Charlotte. Mr. Hauser is also a member of the North Carolina Association of Certified Public Accountants. Mr. Hauser received a B.A. from Furman University and an M.B.A. from the University of North Carolina at Charlotte.

**WILBUR J. PREZZANO, JR., 69**

Mr. Prezzano has served as a director since 2006. He retired as Vice Chairman of Eastman Kodak Company, a manufacturer of photographic equipment and supplies, in January 1997, having served in various management roles at Eastman Kodak prior to that time. He is the Non-Executive Chairman of the Board of Lance, Inc. Mr. Prezzano is also a director of Roper Industries, Inc., The Toronto-Dominion Bank, and TD AMERITRADE Holding Corporation. Mr. Prezzano serves on the board of directors of Charleston Day School and recently completed service as a member of the board of the Medical University of South Carolina Foundation. Mr. Prezzano received a B.S. in economics and an M.B.A. from the Wharton School of the University of Pennsylvania.

**Agreements to Nominate**

Mr. Macadam's employment agreement provides that during the term of his employment he will be included in the slate of nominees nominated by the board of directors for election as a member of the board.

In connection with the settlement of an election contest with respect to the annual shareholders meeting in 2008, we entered into a settlement agreement with Steel Partners II, L.P., Steel Partners II GP LLC, Steel Partners II Master



Fund L.P., Steel Partners LLC, Warren G. Lichtenstein, James R. Henderson, John J. Quicke, Kevin C. King, Don DeFosset and Delyle Bloomquist. This settlement agreement required our board of directors to take all action necessary to reset the size of the board from eight to nine directors and appoint Don DeFosset to fill the vacancy created by this increase in the size of the board. The settlement agreement does not require us to nominate, or take any other action to elect, Mr. DeFosset (or any other person designated by the other parties to the settlement agreement) as a director at the 2010 annual meeting or at any subsequent meeting of the shareholders.

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**LEGAL PROCEEDINGS**

On July 1, 2009, Mr. Hauser joined FairPoint Communications, Inc. as its Chairman of the Board and Chief Executive Officer after having spent over five years as Chief Financial Officer of Duke Energy Corporation. On October 26, 2009, FairPoint Communications and all of its direct and indirect subsidiaries filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code in the United States Bankruptcy Court for the Southern District of New York. In evaluating this event with respect to the nomination of Mr. Hauser for reelection to the board of directors, the Nominating and Corporate Governance Committee considered the well-publicized challenges facing FairPoint Communications at the time Mr. Hauser accepted his position as Chairman of the Board and Chief Executive Officer, his awareness of those challenges and his commitment to FairPoint Communications in the face of those challenges. The Nominating and Corporate Governance Committee and the full board support the nomination of Mr. Hauser for re-election to the board in 2010.

In February 2003, the SEC and our director Mr. Bolduc settled public administrative and cease-and-desist proceedings. Without admitting or denying the SEC's findings, Mr. Bolduc consented to the entry of a cease-and-desist order in which the SEC found that, between 1991 and 1995, while Mr. Bolduc was President and either Chief Operating Officer or Chief Executive Officer of W.R. Grace & Co. and a member of its board of directors, W.R. Grace fraudulently used reserves to defer income earned by a subsidiary, primarily to smooth earnings of its health care segment. The SEC found that this violated the antifraud provisions of the federal securities laws, as well as the provisions that require public companies to keep accurate books and records, maintain appropriate internal accounting controls, and file accurate annual and quarterly reports. The order generally finds that Mr. Bolduc, through his actions or omissions, was a cause of these violations. The order also notes that during the period in question, Mr. Bolduc did not sell any of the substantial number of W.R. Grace shares that he owned. The SEC ordered Mr. Bolduc to cease and desist from committing or causing any violation or future violation of the antifraud and reporting requirements of the federal securities laws. It did not impose any fines on Mr. Bolduc, nor did it prohibit Mr. Bolduc from continuing to serve in any capacity on public company boards of directors. Our shareholders have re-elected Mr. Bolduc to the board each year since 2003, and the Nominating and Corporate Governance Committee and the full board support the nomination of Mr. Bolduc for re-election to the board in 2010.

**BOARD MATTERS**

The primary responsibility of our board of directors is to oversee and direct management in its conduct of our business. Members of the board are kept informed of our business through discussions with the Chairman and the officers, by reviewing materials provided to them, and by participating in meetings of the board and its committees. In addition, at least once per quarter, the non-management directors meet in executive session without members of management present. These sessions are presided over by the Chairman, Mr. Holland.

**Board Leadership Structure**

Since the inception of our company, we have maintained separate the positions of Chairman of the Board of Directors, which is a non-executive position filled by an independent director, and Chief Executive Officer, who is the principal executive officer of our company. We believe that this structure continues to be appropriate for our company given the individuals serving in those positions, particularly the experience of our current Chairman as a former public-company chief executive officer in a similar diversified industrial company, his long familiarity with our business, including his service as a director of Goodrich Corporation prior to our spin-out from Goodrich in 2002, and his ability to serve as a sounding board for our Chief Executive Officer who joined our company in 2008.

## **Committee Structure**

Our board of directors has four committees: an Executive Committee, an Audit and Risk Management Committee, a Compensation and Human Resources Committee, and a Nominating and Corporate Governance Committee. In order to maximize board efficiency, our eight independent directors serve on each committee other than the Executive Committee. For a list of our independent directors, see [Corporate Governance Policies and Practices](#) [Director Independence](#).

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Each board committee operates in accordance with a written charter that the board has approved. You may obtain these charters on our website at [www.enproindustries.com](http://www.enproindustries.com) by clicking on Investor and then Corporate Governance and looking under Committee Charters. The charters are also available in print to any shareholder who requests them.

*Executive Committee.* The current members of the Executive Committee are Mr. Holland (Chairman), Mr. Browning, Mr. Harnett and Mr. Macadam. The Executive Committee did not meet in 2009. The primary function of this committee is to exercise the powers of the board as and when directed by the board or when the board is not in session, except those powers which, under North Carolina corporate law, may not be delegated to a committee of directors.

*Audit and Risk Management Committee.* The Audit and Risk Management Committee, or Audit Committee, met four times in 2009. It assists the board in monitoring the integrity of our financial statements, compliance with legal and regulatory requirements, management of significant risk areas (including insurance, pension, asbestos, environmental and litigation) and the qualifications, independence and performance of our internal and external auditors. This committee has the sole authority to appoint or replace our external auditors and to approve all fees of the external auditors. Mr. Harnett is the current committee chairman.

*Compensation and Human Resources Committee.* The Compensation and Human Resources Committee, or Compensation Committee, met five times in 2009. Mr. Browning is the current committee chairman. The primary function of the Compensation Committee is to assist the board and management in exercising oversight concerning the appropriateness and cost of our compensation and benefit programs, particularly for executives. The Compensation Committee sets the salaries and annual bonus and long-term award opportunities for our senior executives, assesses the performance of our CEO, and oversees succession planning programs. The committee has delegated responsibility for the design, administration, asset management and funding policies of our qualified and non-qualified benefit plans to a benefits committee consisting of members of management. However, the Compensation Committee has expressly retained the authority to approve benefit plan amendments (other than amendments resulting from collective bargaining agreements) that would materially affect the cost, basic nature or financing of these plans. In addition, the Compensation Committee approves all formal policies established by the benefits committee and reviews the benefits committee's activities at least once per year.

*Nominating and Corporate Governance Committee.* The Nominating and Corporate Governance Committee met four times in 2009. The primary function of this committee is to assist the board and management in exercising sound corporate governance. This committee identifies and nominates individuals who are qualified to become members of the board, assesses the effectiveness of the board and its committees, and recommends board committee assignments. It also reviews various corporate governance issues, including those items discussed below under Corporate Governance Policies and Practices. Mr. Holland currently chairs this committee.

## **Risk Oversight**

As discussed above, the Audit and Risk Management Committee assists the board in monitoring compliance with legal and regulatory requirements and the management of significant risk areas (including insurance, pension, asbestos, environmental and litigation). The company's internal audit group periodically performs an enterprise risk analysis of the company and reports the results of its analysis to the Audit and Risk Management Committee. The head of the internal audit group reports directly to the Audit and Risk Management Committee and customarily attends meetings of that committee. In addition, the company's General Counsel customarily attends meetings of the Audit and Risk Management Committee. All of our independent directors currently serve on the Audit and Risk Management Committee.

## **Meetings and Attendance**

The board met five times in 2009. All directors attended at least 75% of the total number of meetings of the full board and of the board committees on which they serve. It is our policy to encourage all directors to attend the annual meeting of shareholders, and eight of the nine directors then serving on the board attended our 2009 annual meeting, with only Joe T. Ford, who was then retiring as a director, not attending that meeting.

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**CORPORATE GOVERNANCE POLICIES AND PRACTICES**

Our board of directors and management firmly embrace good and accountable corporate governance and believe that an attentive, performing board is a tangible competitive advantage. To that end, the board has undertaken substantial efforts to ensure the highest standards of corporate governance.

**Corporate Governance Guidelines and Code of Business Conduct**

The board regularly reviews our Corporate Governance Guidelines, taking into account recent trends in corporate governance and any new rules adopted by the New York Stock Exchange (NYSE) and the SEC. Among other things, these guidelines specify that:

normally only the CEO should be an employee director;

a substantial majority of the members of the board should be independent directors;

the board should hold regularly scheduled executive sessions without management present;

board members should attend our annual shareholders meeting; and

the board should evaluate its performance and contributions, and those of its committees, on an annual basis.

Our Corporate Governance Guidelines require any nominee for director in an uncontested election who receives a greater number of votes withheld from his or her election than votes for his or her election to tender a resignation to the board Chairman.

We also have a Code of Business Conduct. The Code covers, among other things, conflicts of interest, corporate opportunities, confidentiality, protection and proper use of company assets, fair dealing, compliance with laws (including insider trading laws), the accuracy and reliability of our books and records, and the reporting of illegal or unethical behavior. It applies to our directors and all of our employees, including our principal executive, financial and accounting officers. Pursuant to the Code, all conflict of interest transactions, including related party transactions we would be required to disclose in our proxy statement, must be presented to a member of our internal Corporate Compliance Committee or an attorney in our legal department, who are authorized by the Code to present such transactions to our Chief Executive Officer and the Audit and Risk Management Committee. The Code does not otherwise establish specific procedures and policies for the approval or ratification of conflict of interest transactions, and we would develop such procedures on a case-by-case basis as the need arises. Each year, we ask all members of the board and all officers to certify their compliance with the Code. Each member of the board certified compliance without exception in the first quarter of 2010; each officer certified compliance without exception in the fourth quarter of 2009.

Copies of our Corporate Governance Guidelines and Code of Business Conduct are available on our website at [www.enproindustries.com](http://www.enproindustries.com). From our home page, click on the Investor tab and then on Corporate Governance.

**Director Independence**

As described in our Corporate Governance Guidelines, the board believes that a substantial majority of the board should consist of independent directors. At its February 2010 meeting, the board of directors made a determination as

to the independence of each of its members in 2010. In making these determinations, the board used the definition of an independent director in the NYSE listing standards and the categorical standards set forth in our Corporate Governance Guidelines. Under these guidelines, a director will be independent only if the board affirmatively determines that the director has no material relationship with our company (either directly or as a director, partner, shareholder or officer of an organization that has a relationship with us).

Under our Corporate Governance Guidelines, a director will not fail to be deemed independent solely as a result of a relationship we have with an organization with which the director is affiliated as a director, partner, shareholder or officer, so long as:

(1) the relationship is in the ordinary course of our business and is on substantially the same terms as those generally prevailing at the time for comparable transactions with non-affiliated persons; and

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(2) in the event of a relationship involving extensions of credit to us, the extensions of credit have complied with all applicable laws and no event of default has occurred.

In addition, under the guidelines, the board cannot conclude that a director is independent if he or she falls into one of the following categories:

the director is, or has been within the last three years, an employee of ours, or an immediate family member is, or has been within the last three years, an executive officer of ours;

the director or an immediate family member has received more than \$120,000 in direct compensation from us, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);

the director or an immediate family member is a current partner of our auditor; the director is a current employee of our auditor; the director has an immediate family member who is a current employee of our auditor and who personally works on our audit; or the director or an immediate family member was within the last three years a partner or employee of our auditor and personally worked on our audit within that time;

the director or an immediate family member is, or has been in the past three years, part of an interlocking directorate in which an executive officer of ours serves on the compensation committee of another company that employs the director;

the director is a current employee, or an immediate family member is a current executive officer, of a company that we do business with, and that company's sales to or purchases from us in any of the last three fiscal years exceeded the greater of \$500,000 or 1% of the other company's consolidated annual revenues; or

the director or the director's spouse serves as an officer, director or trustee of a charitable organization, and our discretionary charitable contributions to such organization exceeded the greater of \$500,000 or 1% of the other organization's annual revenues.

To assist in the board's independence determinations, each director completed a questionnaire that included questions to identify any relationships with us or with any of our executive officers or other directors. After discussing all relationships disclosed in the responses to these questionnaires, the board determined that Mr. Bolduc, Mr. Browning, Ms. Creel, Mr. DeFosset, Mr. Harnett, Mr. Hauser, Mr. Holland and Mr. Prezzano are independent because none has a material relationship with the company other than as a director. As our Chief Executive Officer and President, Mr. Macadam is automatically disqualified from being an independent director.

### **Audit Committee Financial Expert**

The board of directors has determined that Mr. Hauser is an audit committee financial expert as that term is defined in Item 401(h) of the SEC's Regulation S-K. At its February 2010 meeting, the board determined that Mr. Hauser, through his education and experience as a certified public accountant and his prior experience as the Chief Financial Officer of Duke Energy Corporation, has all of the following attributes:

an understanding of generally accepted accounting principles and financial statements;

the ability to assess the general application of those principles in connection with the accounting for estimates, accruals and reserves;



experience in preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that our financial statements can reasonably be expected to raise;

an understanding of internal controls and procedures for financial reporting; and

an understanding of audit committee functions.

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### **Director Candidate Qualifications**

When considering candidates for director, the Nominating and Corporate Governance Committee takes into account a number of factors, including whether the candidate is independent from management and the company, whether the candidate has relevant business experience, the composition of the existing board, matters of diversity (including diversity in professional experience and industry background), and the candidate's existing commitments to other businesses. In addition, all candidates must meet the requirements set forth in our Corporate Governance Guidelines. Those requirements include the following:

candidates should possess broad training and experience at the policy-making level in business, government, education, technology or philanthropy;

candidates should possess expertise that is useful to our company and complementary to the background and experience of other board members, so that we can achieve and maintain an optimum balance in board membership;

candidates should be of the highest integrity, possess strength of character and the mature judgment essential to effective decision making;

candidates should be willing to devote the required amount of time to the work of the board and one or more of its committees. Candidates should be willing to serve on the board over a period of several years to allow for the development of sound knowledge of our business and principal operations;

candidates should be without any significant conflict of interest; and

candidates must be between 18 and 72 years old.

The Nominating and Corporate Governance Committee will consider recommending for nomination director candidates recommended by shareholders. Shareholders who wish to suggest that the board nominate a particular candidate should send a written statement addressed to our Secretary at 5605 Carnegie Boulevard, Suite 500, Charlotte, North Carolina 28209 in accordance with the timeline and procedures set forth in our bylaws for shareholders to nominate directors themselves. See [Shareholder Proposals](#) for a description of the requirements to be followed in submitting a candidate and the content of the required statements.

### **Nomination Process**

When seeking candidates for director, the Nominating and Corporate Governance Committee may solicit suggestions from incumbent directors, management or others. The Nominating and Corporate Governance Committee may also engage the services of a third party to identify and evaluate candidates. After conducting an initial evaluation of a candidate, the Nominating and Corporate Governance Committee (or the committee Chairman) interviews that candidate if the committee believes the candidate might be a suitable director. The Nominating and Corporate Governance Committee may also ask the candidate to meet with management. If the Nominating and Corporate Governance Committee concludes that a candidate would be a valuable addition to the board and that the candidate meets all of the requirements for board membership, it will recommend to the full board that the candidate be nominated for election (or appointed, if the purpose of the committee's search was to fill a vacancy).

Before recommending a sitting director for re-election, the Nominating and Corporate Governance Committee considers whether the director's re-election would be consistent with the criteria for board membership in our

Corporate Governance Guidelines (as described above) and applicable rules and requirements of the SEC and NYSE. This process includes a review on behalf of the Nominating and Corporate Governance Committee of the responses to the annual director questionnaires.

Our directors share certain characteristics and attributes that we believe are critical to effective board membership, including sound and mature business judgment essential to intelligent decision-making, experience at the policy-making level at a business, integrity and honesty, and the ability to collaborate in an effective manner at a board level. These characteristics and attributes and the specific employment and leadership experiences and other

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qualifications listed for each of our directors above under the caption "Nominees for Election" led to the conclusion that these individuals should be nominated for re-election.

## **Communications with the Board**

Shareholders and other interested parties can send communications to the board anonymously and confidentially by means of the EnTegrity Assistance Line. You can find instructions for using the EnTegrity Assistance Line on our website at [www.enproindustries.com](http://www.enproindustries.com). An independent third party staffs the line. We have instructed this third party that any report addressed to the board of directors be forwarded to the Chairman of the Audit and Risk Management Committee, a non-management director. Reports not addressed to the board of directors are forwarded to our Director of Internal Audit, who reports directly to the Audit and Risk Management Committee and is a member of our internal Corporate Compliance Committee. The Director of Internal Audit periodically updates the Audit and Risk Management Committee regarding the investigation and resolution of all reports of alleged misconduct (financial or otherwise).

Shareholders and other interested parties also may send written correspondence to the board care of our Secretary, addressed to 5605 Carnegie Boulevard, Suite 500, Charlotte, North Carolina 28209. The board has established procedures for the handling of communications from shareholders and other interested parties and directed our Secretary to act as the board's agent in processing these communications. All communications regarding matters that are within the scope of the board's responsibilities are forwarded to the board Chairman, a non-management director. Communications regarding matters that are the responsibility of one of the board's committees are also forwarded to the chairman of that committee. Communications that relate to ordinary business matters, such as customer complaints, are sent to the appropriate business. Solicitations, junk mail and obviously frivolous or inappropriate communications are not forwarded, but the Secretary will make them available to any director who wishes to review them.

In addition, security holders and other interested parties who attend our annual shareholders' meeting will have an opportunity to communicate directly with the board.

## **Director Compensation**

Directors who are also employees receive no compensation for serving on our board. Our non-employee directors receive the following compensation:

an annual cash retainer of \$75,000, paid in quarterly installments;

an annual fee of \$6,000, paid in cash quarterly, for the chairmen of our Compensation and Human Resources Committee and Nominating and Corporate Governance Committee;

an annual fee of \$8,000, paid in cash quarterly, for the chairman of our Audit and Risk Management Committee;

an additional annual fee of \$180,000, paid in cash installments monthly, for our Chairman;

a grant of phantom shares upon a director's initial election or appointment to the board in an amount determined by the Nominating and Corporate Governance Committee; and

an annual grant of phantom shares equal in value to \$75,000.

Phantom shares are generally granted to non-employee directors at the first board meeting each year. Prior to 2008, annual grants were equal in value to \$25,000 and in 2008 and 2009 grants were equal in value to \$75,000. Phantom shares are fully vested when awarded and are paid when a director retires from the board. Since 2005, phantom shares with a value of \$25,000 have been awarded each year to each director under our Amended and Restated 2002 Equity Compensation Plan for which we will pay the director one share of our common stock for each phantom share in his account (with any fractional phantom share paid in cash). The value of all phantom shares granted prior to 2005 are payable in cash. Due to limitations under our Amended and Restated 2002 Equity Compensation Plan as then in force, \$50,000 of the phantom shares that we awarded to each director in 2008 and 2009 are also payable in cash.

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The board adopted stock ownership guidelines for directors at its February 2008 meeting. Under these guidelines, each director had five years from the time he became a director to accumulate EnPro equity equal in market value to five times the annual cash retainer. At its July 2008 meeting, the board modified the guidelines to become stock ownership requirements pursuant to which a director has until five years after the date on which the requirements were adopted or five years after the individual becomes a director, whichever is later, to satisfy the ownership requirements. Phantom shares count toward meeting the equity threshold established under our stock ownership requirements. We examine compliance with this policy at our board of directors meeting held in February of each year. As of February 9, 2010, the date of our February 2010 Compensation and Human Resources Committee meeting, all directors who have served on the board for at least five years complied with the requirements.

Non-employee directors may participate in our Deferred Compensation Plan for Non-Employee Directors. Under this plan, non-employee directors may defer receipt of all or part of the cash portion of their annual retainer fee. Participants choose between two investment alternatives, a cash account and a stock account. Deferred fees in a director's cash account are credited with an investment return based on the director's selection from the same menu of investment options available under our Retirement Savings Plan for Salaried Employees (excluding our common stock). Deferred fees in a director's stock account are credited with stock units that each have a value on a given date equal to the fair market value of one share of our common stock on that date. All amounts deferred are payable when a director retires from the board. The following non-employee directors have deferred compensation under the plan as of December 31, 2009: Mr. Bolduc, 1,520 stock units; Mr. Browning, 7,599 stock units; Mr. Harnett, \$132,193 and 6,483 stock units, and Mr. Hauser, \$115,555 and 2,176 stock units, and Mr. Prezzano, 10,488 stock units.

The following table presents the compensation we paid to our non-employee directors for their service in 2009.

**2009 Non-Employee Director Compensation**

<b>Name</b> <b>(a)</b>	<b>Fees Earned or Paid</b>		<b>Total</b> <b>(\$)</b> <b>(h)</b>
	<b>in Cash</b> <b>(\$)(1)</b> <b>(b)</b>	<b>Stock Awards</b> <b>(\$)(2)</b> <b>(c)</b>	
J.P. Bolduc	75,000	75,000	150,000
Peter C. Browning	81,000	75,000	156,000
Diane C. Creel	13,247		13,247
Don DeFosset	75,000	75,000	150,000
Joe T. Ford(3)	18,750	75,000	93,750
Gordon D. Harnett	83,000	75,000	158,000
David L. Hauser	75,000	75,000	150,000
William R. Holland	261,000	75,000	336,000
Wilbur J. Prezzano, Jr.	75,000	75,000	150,000

(1) Messrs. Hauser and Prezzano deferred \$18,750 and \$75,000 of the fees earned in 2009 pursuant to our Deferred Compensation Plan for Non-Employee Directors. The following table shows the number of stock units credited to Messrs. Hauser and Prezzano in 2009 under our Deferred Compensation Plan for Non-Employee Directors and the aggregate grant date fair value of such stock units based on the average of the high and low sales prices of our common stock on the applicable date of deferral:

<b>Director</b>	<b>Stock Units (#)</b>	<b>Grant Date Fair Value (\$)</b>
David L. Hauser	918	18,750
Wilbur J. Prezzano, Jr.	3,671	75,000

- (2) On February 10, 2009, each non-employee member of the board received a grant of 3,624 phantom shares. The stated value is based on the average of the high and low sales prices of our common stock on the preceding date, which was \$20.69 per share. Of these awards, 1,208 phantom shares are to be settled in shares of common stock and 2,416 phantom shares are to be settled in cash. Ms. Creel, who joined the board on October 28, 2009, did not

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receive an award of phantom shares upon her election to the board due to the timing of her election and the close relative proximity of the date for the 2010 annual award of phantom shares. As of December 31, 2009, the non-employee directors held the following numbers of phantom shares:

<b>Director</b>	<b>Number of Phantom Shares</b>
J.P. Bolduc	19,972
Peter C. Browning	19,972
Diane C. Creel	
Don DeFosset	4,397
Gordon D. Harnett	19,972
David L. Hauser	6,965
William R. Holland	19,972
Wilbur J. Prezzano, Jr.	7,936

(3) Mr. Ford retired as a director effective at our annual meeting of shareholders in 2009.

### **AUDIT COMMITTEE REPORT**

The Audit Committee oversees the quality and integrity of our financial reporting processes and our systems of internal accounting controls. Management is responsible for preparing our financial statements and for establishing and maintaining adequate internal control over financial reporting. The external auditors are responsible for performing an independent audit of those financial statements and an independent audit of the effectiveness of our internal control over financial reporting.

The Audit Committee has met and held discussions with management and PricewaterhouseCoopers LLP (PwC), our external auditors for 2009, regarding our audited 2009 consolidated financial statements and our internal control over financial reporting. Management represented to the Audit Committee that our consolidated financial statements were prepared in accordance with generally accepted accounting principles and that our internal control over financial reporting was effective as of December 31, 2009. The Audit Committee has reviewed and discussed the consolidated financial statements and our system of internal control over financial reporting with management and PwC.

The Audit Committee also has discussed with PwC the matters required to be discussed by Statement on Auditing Standards No. 61 (Codification of Statements on Accounting Standards), as amended. In addition, the Audit Committee has received the written disclosures and the letter from PwC relating to the independence of that firm that are required by Public Company Accounting Oversight Board Rule 3526 (Communication with Audit Committees Concerning Independence), and has discussed with PwC that firm's independence from us.

The Audit Committee has further discussed with our internal auditors and PwC the overall scope and plans for their respective 2009 audits. The Audit Committee met with the internal auditors and PwC, with and without management present, to discuss the results of their examinations, the evaluations of our internal control over financial reporting, and the overall quality of our financial reporting.



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In reliance upon the Audit Committee's discussions with management and PwC and the Audit Committee's review of the representation of management and the report of PwC to the Audit Committee, the Audit Committee recommended that the board of directors include our audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2009 to be filed with the SEC.

Audit and Risk Management Committee

J.P. Bolduc  
Peter C. Browning  
Diane C. Creel  
Don DeFosset  
Gordon D. Harnett  
David L. Hauser  
William R. Holland  
Wilbur J. Prezzano, Jr.

February 9, 2010

**COMPENSATION AND HUMAN RESOURCES COMMITTEE REPORT  
ON EXECUTIVE COMPENSATION**

The Compensation and Human Resources Committee is responsible for developing and overseeing the implementation of our compensation philosophy and strategy. The committee assists the board of directors by exercising oversight concerning the appropriateness and cost of our compensation and benefit programs, particularly for the CEO and the other senior executives.

The section entitled "Compensation Discussion and Analysis" explains the material elements of our compensation program and provides an analysis of the material factors underlying the committee's compensation policies and decisions. The committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on its review and discussion with management, the committee has recommended to our board of directors that the Compensation Discussion and Analysis be included in this proxy statement and in our annual report on Form 10-K for the year ended December 31, 2009.

Compensation and Human Resources Committee

J.P. Bolduc  
Peter C. Browning  
Diane C. Creel  
Don DeFosset  
Gordon D. Harnett  
David L. Hauser  
William R. Holland  
Wilbur J. Prezzano, Jr.

February 9, 2010

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**COMPENSATION DISCUSSION AND ANALYSIS**

**Executive Summary**

In this Compensation Discussion and Analysis section, we describe our objectives, policies and practices for paying our executive officers the compensation reported below, focusing on how and why we arrived at those objectives and policies and our specific executive compensation decisions. We first discuss how we set compensation, including our specific compensation practices and what we look at in making our compensation decisions. We then analyze why we pay each element of compensation, focusing first on in-service compensation and then addressing compensation to be paid following retirement or other termination of employment.

In this Compensation Discussion and Analysis section we refer to compensation programs and arrangements that we describe in more detail in the pages following this section, which include several tables presenting specific compensation data. We have not repeated the details of those programs here and urge you to review those sections of this proxy statement for a more complete description of those programs and arrangements.

A primary objective of our executive compensation program is to retain our executive officers. We also desire to be in a position to replace them with other high-caliber individuals should that need arise. A competitive pay package is vitally important to meet these objectives. Accordingly, it has been our practice to set the targeted level of each component of in-service compensation for our executive officers at or near the market median. In connection with our recruitment in 2008 of our Chief Executive Officer, Stephen E. Macadam, and based on the input of the committee's executive compensation consultant, we determined that we needed to offer significant financial incentives for Mr. Macadam to leave his former employer and join our company. Certain terms of Mr. Macadam's 2009 compensation are prescribed in an employment agreement we entered into with him when he was hired. As a result, Mr. Macadam's total target compensation was set above the market median.

A concurrent objective of our executive compensation program is to contribute to our continued success as a company. We seek to accomplish this objective through our incentive plans, by rewarding performance that enhances shareholder value and furthers our strategic and financial objectives. We use both annual and multi-year plans to provide incentives for both short-term and long-term performance. We structure these awards both to encourage the continued service of our executive officers and to provide an incentive for long-term performance.

It has been our general practice in our annual compensation process to evaluate a number of factors in setting base salary levels, including evaluating salary information of a peer group of companies and a broader survey group. In 2009, however, in the light of the global economic recession and based on recommendations of our executive officers, we determined to leave all base salaries for executive officers at their 2008 levels as part of a general initiative to freeze employee salaries. (Because 2008 increases were effective April 1, the summary compensation table that begins on page 33 shows an increase in salary payments for the entire 2009 year as compared to the entire 2008 year.)

We use our annual budget and strategic plans to set incentive target levels for both annual and multi-year performance cycles, taking into account anticipated sales and income growth. Our financial performance during 2009 reflected the general global economic decline, and payouts under the annual long-term incentive plans were below target levels. Based on our performance relative to our annual incentive plans' performance goals, the committee awarded the named executive officers the bonuses reported in column (g) (see footnote 4) of the summary compensation table. These annual bonuses equaled 70.46% of each named executive officer's target bonus.

For several years prior to 2009, we have granted long-term incentive performance (or, LTIP) awards, in overlapping three-year cycles, with one-half of the award consisting of performance shares and the other half payable in cash. Because the targets for our long-term incentive awards maturing in 2009 were established three years prior and did not contemplate the impact of the global economic recession, these awards resulted in a cash LTIP payment equal to 68.5% of each executive officer's target cash award and performance shares equal to 77.5% of each executive officer's target share award. Under the terms of his employment agreement, we granted Mr. Macadam a cash LTIP award with respect to the three-year 2007-2009 performance cycle. The 2007-2009

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LTIP payment to Mr. Macadam was \$555,645, or 68.5% of the targeted amount, which exceeded the final guaranteed payment specified in Mr. Macadam's employment agreement.

In granting long-term incentive compensation in 2009, we granted long-term incentive awards for the three-year 2009-2011 cycle payable in cash for approximately one half of the amount of our targeted long-term compensation and awarded restricted share units with an approximate value of the remaining half of targeted long-term compensation. These awards of restricted share units are scheduled to vest with respect to one-half of the shares three years after the date of grant and with respect to the remaining one-half, four years after the date of grant, in each case subject to the executive's continued employment during that period. We used restricted share units in lieu of performance shares due to the uncertain economic environment and the desire that a portion of the long-term incentive award encourage retention if the economy continues to struggle beyond our expectations.

## **Compensation Practices**

All of our non-management directors sit on our Compensation and Human Resources Committee. The committee's primary function, as delegated to it by our board, involves oversight concerning the appropriateness and cost of our compensation programs, particularly the program for executive officers. The committee also approves all change in control agreements, the officers' participation in all benefit and retirement plans and all material changes to these plans. The following discusses our general practices with respect to evaluating and awarding executive compensation.

### ***The Role of the Executive Officers***

It is the committee's practice to request and consider proposals by the CEO as to the appropriate levels of salary and incentive award opportunities for all executive officers other than the CEO. It then approves these compensation elements as proposed or, in its discretion, revises them. In reviewing the compensation of the CEO and the other executive officers, the committee is advised by its outside compensation consultant and our human resources staff. Our CEO does not recommend any of his compensation, including target bonus or incentive award levels, to the committee. The committee establishes the CEO's compensation independently of that of the other executive officers, so that an increase in the compensation of those officers, as proposed by the CEO, does not form the basis for a corresponding increase in the CEO's compensation. In 2009, however, the CEO did join with the rest of the executive officers to recommend that the executive team participate in the company's general salary freeze initiative.

To set performance measures and levels for our annual and long-term incentive plans, our executive officers review the budgets for each of our operating units, key economic indicators affecting our businesses, historical performance, recent trends, and our strategic plans. Our executive team proposes performance measures that it believes to be most important and meaningful to the achievement of our strategic goals. The executive team also proposes what it believes to be the appropriate weighting to give to each factor in the calculation of the overall incentive awards, and minimum, target and maximum payout levels appropriate for each of the performance measures we choose.

At its December meeting each year, the committee reviews the proposed performance measures and weightings and approves them, either as recommended or with revisions the committee suggests. In addition, the committee previews preliminary minimum, target and maximum payout levels for each performance measure at the December meeting. The committee and its consultant provide the executive officers with feedback on the preliminary payout levels, and the executive team then reviews the committee's recommendations in conjunction with year-end financial results, revised budgets and economic forecasts. Management makes its final recommendations at the committee's February meeting, at which time the committee independently reviews management's recommendations, and makes the final determination of what performance measures, weightings and payout levels will be used for each incentive award.

The committee often directs members of management to work with our executive compensation consultant to provide information and otherwise help with the consultant's analyses. However, the committee does not delegate any of its decision making authority to executive officers or other members of management.

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### ***The Role of the Executive Compensation Consultant***

The committee directly engages our executive compensation consultant, Pearl Meyer & Partners, to assist it with compensation planning for 2009. The committee's charter gives it express authority over the engagement of executive compensation consultants, as well as the ability to engage other advisors as it sees fit.

The executive compensation consultant reports directly to the committee on all work assignments from the committee. In addition, the committee chair engages in a direct dialogue with the members of the consulting firm's team who perform work on our executive compensation program.

Pearl Meyer's work for the committee on executive compensation for 2009 included:

- analyzing the competitiveness of our executive and director compensation programs in 2009;

- providing information about market trends in executive and director pay practices;

- advising on compensation program design and structure, including potential performance measures for our annual management bonus plans and long-term incentive plan, or LTIP;

- reviewing the relationship between executive compensation and company performance;

- reviewing director compensation;

- advising the committee regarding the implementation of certain provisions of Mr. Macadam's employment agreement; and

- assisting in the preparation of our proxy statement.

At the committee's request, Pearl Meyer does not provide services to our company other than the assistance it provides to the committee.

### **Compensation Program Design and Tools**

The committee has used a number of tools and considered the economic and regulatory environment in designing our executive compensation program, including the uncertain economy, corporate policies regarding executive compensation, studies of internal pay fairness, external market studies, tally sheets, long-term compensation histories and tax and accounting rules.

### ***Policies Regarding Executive Compensation***

In general, the committee sets targeted in-service compensation for our executive officers at or near the market median. Under this policy, if our performance exceeds our goals, our executive officers earn incentive awards above the median. When this happens, of course, their total compensation exceeds the median. On the other hand, if we were to fail to meet our annual and three-year business goals, executive compensation levels could fall below the market median.

We made exceptions to our policy of targeting in-service compensation at or near the market median in connection with our recruitment of Mr. Macadam. The committee had been advised by its executive compensation consultant that targeting the market median for external hires may prove difficult and that a deviation from our historical practices

may be required to successfully recruit an external successor as CEO. Mr. Macadam's target total compensation is between the median and 75th percentile of the peer group market data.

The committee also has a policy of making variable compensation a significant component of each executive officer's total compensation. The term "variable compensation" refers to amounts that vary in amount depending on performance. Poor performance leads to little or no awards while superior performance leads to superior awards. The more responsibility an executive has, the higher is his variable compensation as a percentage of his total compensation. Correspondingly, with more responsibility comes a lower percentage of fixed compensation that the executive is more or less guaranteed to earn for doing his job. The policy of making variable compensation a significant portion of our executive officers' total compensation helps us implement a culture in which the officers know that their pay, to a large extent, depends on the company's performance.

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The committee has policies aimed at more closely aligning management's interests with those of our shareholders. One such policy is to systematically include some form of equity grant, or potential equity grant, as part of our executive compensation program. If our officers own shares of our common stock with values that are significant to them, we believe they will be more likely to act to maximize longer-term shareholder value instead of short-term gain. Executive officers were awarded restricted share units in lieu of performance share awards in 2009 and have the opportunity to earn shares of common stock for each three-year cycle under our LTIP with respect to prior performance share awards.

***Stock Ownership Policy***

In July 2008, we adopted resolutions to formalize our stock ownership guidelines as requirements applicable to each of our executive officers. Our stock ownership policy requires that each executive officer hold shares of our common stock with a market value at least equal to a specified multiple of his base salary. The multiple of salary rises with one's job responsibility. The minimum ownership level for our CEO is three times his base salary, and the minimum levels for the other executive officers range from 0.75 times to 1.5 times salary. Consistent with this policy, the committee has believed it appropriate to provide officers with an opportunity to earn shares as part of the long-term incentive award. An executive officer has five years after becoming an executive officer to achieve the minimum required stock ownership level. Thereafter, if the executive officer fails to maintain the required level of ownership, the executive officer is required to retain 50% of any shares received under any company equity award plan until he or she satisfies the requirement. Restricted shares of our common stock are counted toward the minimum ownership level only after the restrictions lapse. We examine compliance with this policy at our board of directors meeting held in February of each year. As of February 9, 2010, the date of our February 2010 committee meeting, all of our named executive officers who have been executive officers for at least five years held at least the minimum number of shares.

***Market Competitiveness Analyses***

Historically, the committee asks our executive compensation consultant to update each year its study comparing our incumbent named executive officers' salaries, target annual bonuses and target long-term incentive awards to those granted to officers in the same positions at other similarly sized diversified manufacturing companies. In light of the global economic recession and the committee's decision to adopt management's recommendation to freeze 2009 salaries at 2008 levels, the committee did not ask our executive compensation consultant to update its study for 2009. The goal of these studies is to determine whether our pay levels for these compensation elements is competitive. For the study used to make other compensation decisions in 2009, Pearl Meyer used 2007 data (the most recent data then available) from a broad survey group and for a peer group consisting of the following manufacturing companies ranging in revenues from approximately half to approximately two and one-half times our annual revenues, with nine of the 15 companies having fiscal 2007 revenues greater than the company's:

Actuant Corporation	Barnes Group, Inc.	Circor International, Inc.
Clarcor, Inc.	Crane Co.	Donaldson Company, Inc.
Gardner Denver, Inc.	Graco Inc.	IDEX Corporation
Kaydon Corporation	Nordson Corporation	Regal Beloit Corporation
Robbins & Myers, Inc.	Roper Industries, Inc.	Woodward Governor Company

The peer group selected by Pearl Meyer after consultation with our executive officers and approved by the chairman of the committee is broader than the peer group we use in preparing our five-year performance chart included in our annual report. This is because not all of the companies in our performance-chart peer group report compensation of officers in comparable positions as our executive officers, and by limiting a comparison to those peers we would not have a statistically valid sample group for compensation comparisons for those officers. In addition, we believe that



for executive compensation purposes, the relative size and complexity of a company, not the specific category of products manufactured, is more important for compensation comparisons. Therefore, we believe this broader group of industrial manufacturers is appropriate for this purpose.

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Pearl Meyer compared 2007 data among us and the members of the peer group, calculating our percentile rank on each of the following measures versus the group: sales growth, operating income growth, growth in net income, growth in free cash flow, return on capital, segment profit margin and three-year total shareholder return. Other than operating income growth and segment profit margin, which were at or better than the median, our performance on these measures was below the median for the peer group. Pearl Meyer indicated that the performance comparison based on growth measures may be skewed since it had not adjusted for growth achieved as a result of acquisitions. In addition, none of the companies in the peer group compete in all of the markets in which we compete and none of them have significant cash outflows for asbestos claims relative to their size to a degree comparable to us. Pearl Meyer also evaluated the various performance measures used by members of the peer group in awarding annual and long-term incentive compensation compared to the measures we use.

The consultant also analyzed specific compensation elements we awarded each of our named executive officers for 2009 (annual bonus and long-term incentive opportunity) as compared to those awarded to executive officers with similar responsibilities of each member of the peer group and the broader survey group. Based on that analysis and the comparisons to the relevant medians of the peer group and survey group, Pearl Meyer advised the committee with respect to each of these named executive officers regarding adjustments to base salary, annual incentive award and long-term incentive award.

### ***Tally Sheets***

At its February 2009 meeting, the committee reviewed and discussed a tally sheet for each of our then executive officers that summarized total compensation for each officer. With the aid of these tally sheets, the committee considered each element of each executive officer's compensation, as well as compensation totals and potential wealth accumulation from vested equity grants, before setting salaries and target bonuses and long-term incentive awards for 2009.

### ***Five-Year Compensation History***

At its February 2010 meeting, prior to approving payment of annual incentive and LTIP awards for 2009, the committee reviewed and discussed with the compensation consultant five-year comprehensive compensation data for our executive officers as well as comparative survey compensation data. The committee analyzed this data to confirm whether compensation paid over that longer term was consistent with our objectives and policies or whether current period adjustments to compensation should be made.

### ***Evaluation of Incentives for Excessive Risk***

In establishing the structure and levels of executive compensation, the committee has been mindful of the potential incentives for risk taking by management to achieve incentives. The committee has sought to balance fixed and variable compensation, short-term and long-term compensation, the performance metrics used in determining incentive compensation and the level of in-service and post-retirement benefits to mitigate against unnecessary or excessive risk taking. At its February 2010 meeting, the committee specifically evaluated whether the company's compensation structure and practices establish incentives for unnecessary or excessive risk taking by management. The committee concluded that the company's compensation structure and practices do not establish incentives for unnecessary or excessive risk taking by management.

### ***Impact of Tax and Accounting Rules***

Regulatory considerations often affect the design of our executive compensation program. The primary example is the limit under Section 162(m) of the federal tax code on the deductibility of compensation in excess of \$1 million

granted to top officers. There is an exception to the \$1 million deduction limit for compensation based on objective performance criteria granted in compliance with specified rules. The committee is aware of the provisions of Section 162(m), and one of its goals is to design compensation to be tax deductible. However, the committee's compensation decisions are not driven by the strictures of Section 162(m) when those limitations would prevent the committee from achieving its compensation objectives.

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### ***Uncertain Economy***

The impact of the global economic recession and the uncertainty of the timing of any recovery were important considerations weighed by the committee in setting compensation for our executive officers for 2009. These considerations led the committee to approve management's recommendation to freeze salary levels for 2009, as well as to adjust the form of long-term equity compensation awards made in 2009 from the awards made in recent years.

### **Compensation Analysis**

We view our compensation program in two discrete categories:

in-service compensation paid to our officers while they remain employed by our company; and

post-termination compensation to be received by our officers after they have retired or their employment is otherwise terminated.

In making decisions regarding the amount of in-service compensation to be paid to the executive officers, the committee analyzes each component and the total amount of in-service compensation against benchmarks and survey data. The amount that executive officers may receive as retirement and other post-employment compensation is also considered. The committee uses tally sheets to confirm that the overall compensation package is reasonable.

The following section discusses and analyzes each element of our executive compensation program.

### ***In-Service Compensation***

#### **Fixed Compensation**

We pay each of our executive officers a base salary to give them a relatively secure baseline level of compensation. At its February 2009 meeting, in the light of the impact of the global economic recession and the uncertainty of the timing of any recovery, at management's recommendation the committee determined to set 2009 base salaries for executive officers at their 2008 levels as part of a general initiative to freeze employee salaries.

#### **Annual Bonus Opportunity**

Payment of annual bonuses to our executive officers depends entirely on our corporate performance. The committee provides executive officers with a bonus opportunity each year so that they will have a personal financial incentive to help us reach annual business goals. Annual bonus awards for Mr. Macadam, Mr. Dries and Mr. Magee are made under our senior executive bonus plan, which our shareholders approved in 2007. Bonus awards for Mr. Childress, Mr. McKinney and Mr. Herold are made under a similar plan for other members of management. We refer to these plans as the annual performance plans or annual plans.

For 2009, 30% of the annual performance plan bonus opportunity for all executive officers was tied to a goal for adjusted net income, 40% was tied to a goal for free cash flow before asbestos and taxes, and the remaining 30% was tied to an adjusted return-on-investment goal. The committee set the performance goals and the corresponding bonus opportunities for officers after taking into account management's recommendation. It chose adjusted net income, free cash flow before asbestos and taxes and adjusted return on investment as the criteria because the committee believed these criteria would be balanced and appropriately measure our performance against our 2009 business plan. The committee also chose these three criteria because it believed our executive officers could significantly affect our annual performance in these areas. We analyze the selection of those components below:

*Adjusted Return on Investment*

The committee selected adjusted return on investment as a goal, in lieu of sales growth, which had been a measure used in the past, to avoid incentivizing the potential for behavior that might not be in the company's best interest. The committee continues to believe that sales growth is important, but it recognized that the metric is not balanced by recognition of the expenses incurred to achieve the growth in sales. The committee selected adjusted return on investment as a performance metric because we believe it is a more comprehensive measure of our

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performance. The adjusted return on investment selected by the committee measures the amount of earnings before interest, taxes, depreciation and amortization, and asbestos expenses in relation to the investment required to generate those earnings.

*Adjusted Net Income*

Adjusted net income is and has been important because net income figures demonstrate the quality of our earnings as well as our profitability. The committee adjusts this measure to eliminate the impact of asbestos expense and other items because it believes that those adjustments result in a more accurate measure of the operating performance of our businesses.

*Free Cash Flow Before Asbestos and Taxes*

Free cash flow before asbestos historically has been important for the company, and remains important, as an indicator that we can cover our asbestos and other liabilities, reinvest appropriately in our businesses, and still produce significant additional free cash flow. This metric is adjusted to eliminate the impact of taxes, because the committee concluded that tax rates are largely beyond the control of management, and other unusual items (but not including restructuring charges). The committee selected this metric because it believes it is a more direct measure of operating performance.

The 2009 goals that corresponded to the minimum, target and maximum bonus payout levels are set out in the following table:

	<b>Minimum</b>	<b>Target</b>	<b>Maximum</b>
	<b>(dollars in millions)</b>		
Adjusted net income(1)	\$ 42.1	\$ 52.6	\$ 72.0
Free cash flow before asbestos and taxes(1)	\$ 92.9	\$ 106.7	\$ 128.5
Adjusted return on investment(1)	17.0%	20.9%	26.7%

- (1) Adjusted net income, free cash flow before asbestos and taxes, and adjusted return on investment are not financial measures under GAAP. Adjusted net income is calculated by adding the after-tax impact of asbestos-related expenses and any non-operating gains and losses to net income as determined under GAAP. Free cash flow before asbestos and taxes is equal to net cash provided by operating activities minus capital expenditures with the impact of asbestos-related expenses and taxes added back. Adjusted return on investment is earnings adjusted for interest, taxes, depreciation and amortization, and asbestos expenses, divided by the sum of average working capital plus average property, plant and equipment.

Our executive officers' annual performance plan bonus opportunities ranged from 40% to 100% of their actual 2009 base salaries. The target bonuses, as percentages of base salary, for the named executive officers were as follows:

	<b>Target Bonus, as Percentage of Salary</b>
Macadam	100
Dries	60

Herold	55
Magee	55
Childress	50
McKinney	50

Each executive officer's minimum bonus was one half of his target bonus, his maximum bonus was twice the target amount and performance between any of the established goals yielded a proportional award.

The committee set the target award levels for our named executive officers, other than Mr. Macadam, based on the results of the Pearl Meyer market studies and management recommendations. It set each named executive officer's target award at or near the median for his position in the market study. The committee based the minimum and maximum award levels on information from Pearl Meyer about prevailing market practices in setting the range

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of annual bonus opportunity around an established target. Mr. Macadam's employment agreement provides that the target award level for his annual incentive awards be set at 100% of his salary.

Under the terms of the senior executive annual performance plan, which governs the annual bonus to all of our named executive officers except Mr. Childress, Mr. McKinney and Mr. Herold, the committee can use negative discretion to reduce the size of a bonus award but cannot use discretion to increase any bonus. The management bonus plan under which we awarded Mr. Childress, Mr. McKinney's and Mr. Herold's bonuses permits both positive and negative discretionary changes.

**Long-Term Incentives**

Each year the committee grants long-term incentive performance awards, in overlapping three-year cycles, to our executive officers to provide them with personal financial motivation to help us reach our longer-term goals. In addition to providing the officers with a long-term stake in our success, we believe these awards serve as a significant retention tool to dissuade them from leaving the company.

The committee makes these awards under our long-term incentive plan, or LTIP, which our shareholders most recently approved in 2007. In recent years, our long-term compensation awards were a combination of LTIP awards payable in cash and performance shares with the number of shares deliverable at the end of the three-year cycle being based on our performance against certain objective goals. The committee established the performance goals and corresponding potential award levels for the 2009-2011 LTIP cycle at its February 2009 meeting. For this cycle, the committee determined that half of the target long-term incentive compensation to each executive would be in the form of an LTIP award payable in cash. The committee awarded restricted share units with an approximate value of the remaining half of targeted long-term compensation. These awards of restricted share units vest with respect to one-half of the shares three years after the date of grant and with respect to the remaining one-half, four years after the date of grant, in each case subject to the executive's continued employment during that period. The restricted share units would vest earlier in the event of death, disability or retirement. We used restricted share units in lieu of performance shares due to the uncertain economic environment and the desire that a portion of the long-term incentive award encourage retention if the economy continues to struggle beyond our expectations. The committee believes that both types of awards align officers' long-term interests with those of our shareholders, and that the specific target mix of one-half cash and one-half restricted share units is appropriate to increase management's ownership stake in our company.

The performance factors and weightings for the cash LTIP awards for the 2009-2011 cycle are as follows:

EBITDA before asbestos	40%
Adjusted earnings per share	40%
Net cash outflow for asbestos	20%

The 2009-2011 goals that corresponded to the minimum, target and maximum payout levels are set out in the following table:

	<b>Minimum</b>	<b>Target</b>	<b>Maximum</b>
	<b>(In millions, except per share amounts)</b>		
EBITDA before asbestos(1)	\$ 282.8	\$ 377.0	\$ 439.6
Adjusted earnings per share(1)	\$ 4.96	\$ 6.61	\$ 7.60



Net cash outflow for asbestos	\$ 141.0	\$ 124.5	\$ 107.5
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- (1) EBITDA before asbestos and adjusted earnings per share are not financial measures under GAAP. EBITDA before asbestos is earnings before interest, taxes, depreciation, amortization and asbestos expenses. Adjusted earnings per share is earnings per share adjusted to exclude the after-tax impact of asbestos related expenses and other selected items.

The committee chose these criteria because of their importance to our long-term performance and because it believes our executive officers can significantly affect our performance in these areas over the three-year period. Moreover, the committee selected EBITDA before asbestos and adjusted earnings per share because it believes that these are the most important metrics to our investors in evaluating the company's performance. Because asbestos

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liabilities have continued to require significant cash outflows, we also have a goal for net cash flow for asbestos, though with a reduced weighting compared to the other metrics.

Each executive officer's minimum award is one-half of his target award, and his maximum award is twice the target amount. Actual performance that falls between the maximum and minimum established goals will yield a proportional award.

The committee set the target compensation levels for the cash LTIP awards and restricted share unit awards for each executive officer based on the results of the Pearl Meyer market studies. The target value of the awards were set at or near the median study results. The committee based the minimum and maximum award levels on information from Pearl Meyer about prevailing market practices in setting the range of long-term incentive opportunity around an established target.

Once the company's performance results are determined at the end of the award cycle, the committee cannot use discretion to increase the size of any cash LTIP award. However, it can use negative discretion to reduce the award that would otherwise be payable to any of the executive officers.

Mr. Macadam was not eligible to receive an LTIP award under our plan for the 2008-2010 LTIP cycle. In his employment agreement, we agreed that Mr. Macadam would be eligible to receive a two-year cycle award for 2009-2010 to be made after January 1, 2009. In February 2009, we made this two-year-cycle cash LTIP award to him in addition to the 2009-2011 three-year award that we made to him and other executive officers generally. The performance metrics for the two-year award were the same as the metrics that we used in 2008 in awarding 2008-2010 three-year awards to our other executive officers. The performance goals for the two-year cycle award to Mr. Macadam were the same performance goals that we used in 2008 in awarding 2008-2010 three-year awards to our other executive officers, reduced by 2008 actual performance. Because actual 2008 performance against the metrics was significantly below the amount that had been expected when the 2008-2010 three-year goals were set, we do not anticipate that the performance goals for the two-year cycle award to Mr. Macadam will be achievable at any meaningful level. The committee set the performance goals at these levels because it believed that this was consistent with the parties' intent when Mr. Macadam entered into his employment agreement and, importantly, placed Mr. Macadam in the same position with respect to the level of pay out for this award as the other executive officers with respect to their three-year LTIP awards also maturing in 2010.

## Perquisites

Since February 2006, we have provided only minimal perks, which include an umbrella liability policy, to our executive officers.

In connection with his joining the company and moving to Charlotte, and in recognition of bona fide reasons for Mr. Macadam to continue a family residence in Atlanta, we agreed that for a transition period to last until no later than June 1, 2010 we would reimburse him for his expenses in commuting between his residence in Atlanta and our headquarters in Charlotte, including the cost of maintaining an apartment in Charlotte, evening meal costs and transportation costs. In addition, we agreed to make additional payments to indemnify him on a net-after-tax basis for any income tax associated with those reimbursement payments. Mr. Macadam will also be eligible for reimbursement of qualifying expenses under our relocation policy in the event he permanently relocates to Charlotte.

## Other In-Service Benefits

Our executive officers also receive the following benefits, which we provide to all salaried employees as compensation for their services to us:

group health, dental and life insurance, part of the cost of which we pay;

optional term life, accidental death and disability insurance and long-term disability insurance, the cost of which the employee pays; and

travel and accident insurance, for which we pay.

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We provide these insurance benefits because we believe at a company of our size they are a standard part of the compensation package available to salaried employees.

### ***Retirement and Other Post-Termination Compensation***

#### **401(k) Plan**

We sponsor two broad-based 401(k) plans, one for salaried employees and one for non-salaried employees. We offer these plans to help employees save for retirement. Each of our executive officers participates in the plan for salaried employees. Under this plan, each participant can defer into his 401(k) plan account a portion of his plan-eligible compensation (generally, base salary and annual bonuses), up to the annual limit set by the IRS. Each plan participant directs how his account will be invested. We match each participant's deferrals under this plan, other than catch-up contributions, on a monthly basis at a rate of 100% up to the first 6% of compensation contributed by the participant. Our matching contributions are fully vested.

#### **Deferred Compensation Plan**

We provide a non-qualified, deferred compensation plan for our executive officers to permit them to save for retirement on a tax-deferred basis beyond what the 401(k) plan permits, because of either federal tax code limits or the design of the 401(k) plan. In addition, the plan makes up for matching contributions that cannot be made to the 401(k) plan because of federal tax code limits. The committee believes this type of additional deferral and matching opportunity is part of a competitive compensation package for public company executive officers.

This plan is unsecured, and the officers' plan accounts would be available to satisfy our creditors in the event of our insolvency. This means that the officers have voluntarily placed at risk all funds they have deferred under the plan.

#### **Pension and Defined Benefit Restoration Plans**

Our named executive officers, other than Mr. Macadam and Mr. Herold, like many of our salaried employees, participate in a defined benefit pension plan that will give them a retirement benefit based on their years of service with the company and their final average compensation (salary plus annual bonus). This pension plan was closed to new participants in 2006. For salaried employees who do not participate in this pension plan, we make a contribution equal to 2% of compensation each payroll period to our 401(k) plan instead. In the case of Mr. Macadam and Mr. Herold, they receive the additional 401(k) benefit because they are not participants in the pension plan.

In addition, we provide certain of our named executive officers and others with a defined benefit restoration plan to give them the benefits they would have under our pension plan were it not for limitations under the pension plan. The federal tax code places caps on the amount of annual compensation that the pension plan can take into account and on the amount of annual benefits that the pension plan can provide. We are required to include these caps in our pension plan in order to maintain its tax-qualified status. In addition, the pension plan does not take into account amounts that an individual defers under our non-qualified deferred compensation plan.

Despite these limitations, we would like our executive officers to receive a retirement pension benefit that takes into account their full salaries and annual bonuses. Otherwise, in our view, their retirement pension will not accurately reflect their contributions and service to our company. Accordingly, we provide the restoration plan to make up what we see as a shortfall under the pension plan and view this as an important part of a competitive executive compensation package.

SERP

Our initial top five executive officers which included Messrs. Dries and Magee all participated in supplemental executive retirement plans (SERPs) at their prior employers. We believe a SERP was an important tool in recruiting these officers to join our company in connection from our spin-off from Goodrich Corporation. No other executive officers participate in the SERP.

We modeled our SERP after the plan provided by our former shareholder, Goodrich Corporation. It pays an additional retirement benefit equal to the combined benefit under our pension plan and restoration plan for the

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participant's first 15 years of service. This benefit is based on the retiring executive's base salary and annual bonus. LTIP payments and gains from equity grants do not factor into the benefit formula.

### Supplemental Retirement and Death Benefits Agreements

At the time we established the SERP and the restoration plan in 2002, the committee intended to enter into split-dollar life insurance arrangements with each plan participant. It had two purposes for doing so. The first was to fund benefits under these plans in a manner with tax advantages for the participants. The second was to provide the officers with an appropriate level of death benefits as part of a competitive public company compensation package. However, shortly after we established the SERP and the restoration plan, new IRS regulations and the Sarbanes-Oxley Act made split-dollar arrangements unattractive for executive officers of public companies. As a result, the committee decided not to enter into the split-dollar insurance arrangements.

Instead, we purchased life insurance policies on the lives of the SERP participants. We own these policies and hold the right to receive any death benefits that are paid under them. The committee believes the policies provide a financially advantageous means for us to finance our obligations under the SERP and the restoration plan.

When we acquired these policies, we also entered into death benefits agreements with Mr. Dries and Mr. Magee. The purpose of these agreements was to provide these individuals with competitive death benefits that would provide security for their beneficiaries. Under these agreements, we must pay a stated lump sum death benefit to each officer's designated beneficiary if the executive dies while employed with us. The amount of each death benefit is based on the death benefit under the corresponding insurance policy we own on the officer's life, but minus a cushion that allows us to recover the policy premiums we have paid. Working with an insurance consultant, the committee determined these amounts by projecting the retirement benefits each executive would accumulate if he worked with us until retirement. For the death benefits that would have been payable if the agreements had been triggered on December 31, 2009, see

Executive Compensation-Potential Payments Upon Termination or Change in Control-Death Benefits Agreements. To avoid duplication, the agreements provide that these death benefits are in lieu of any death benefits otherwise payable under the restoration plan and the SERP.

In 2005, we entered into supplemental retirement and death benefits agreements with these same officers. Under these agreements, we agreed to pay each officer's vested benefits accrued under the SERP and the restoration plan in annual lump sum payments, beginning in 2007 and continuing each year thereafter through retirement. We made these annual lump-sum payments by transferring to the executive ownership of a portion of the life insurance policy we own on the officer's life. The portion transferred has a cash value equal to the lump sum value of SERP and restoration plan benefits being paid. The death benefit of the transferred policy also reduces the amount that might otherwise become payable under the officer's death benefits agreement. To the extent any policy transfer would cause the recipient's compensation to exceed \$1 million for purposes of the federal tax deductibility limit, the portion of the transfer that would have exceeded the limit automatically was to be delayed until a later year. We entered into these supplemental agreements in order to meet our obligations under the SERP, restoration plan and death benefits agreements in the most cost-effective manner.

These supplemental agreements also required us to make a tax gross-up payment each year to cover the officer's income taxes resulting from the policy transfer. The committee decided to provide this tax gross-up for two reasons. First, without the tax gross-up the executive might have to cover income taxes from the policy cash value, reducing the policy's death benefits. Second, the tax gross-up allows us to approximate the tax-advantaged outcome for the executive that we had originally intended to accomplish through split-dollar arrangements.

On December 11, 2009, Mr. Dries and Mr. Magee entered into agreements providing that after January 1, 2010, each officer's vested benefits accrued under the SERP and the restoration plan will cease to be paid in annual lump sum

payments and will be payable upon the officer's termination of employment. In addition, the agreements provide that after the annual lump sum payment earned through January 1, 2010, we will cease all tax gross-up payments. Accordingly, while Mr. Dries and Mr. Magee received a tax gross-up payment for the January 1, 2009 annual lump-sum payment as reported in note 6 to the summary compensation table beginning on page 33 and a tax gross-up payment for the January 1, 2010 annual lump-sum payment which will be reportable in the summary compensation table to be included in next year's proxy statement, we will no longer make such tax gross-up payments to Mr. Dries or Mr. Magee in the future. Mr. Dries and Mr. Magee entered into these agreements to defer

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the annual lump-sum payments and to terminate our obligation to make tax gross-up payments with the expectation that the committee would consider increases to their base salary levels and annual incentive compensation opportunities to compensate them over time for the value of benefits surrendered by them as a result of their entering into these agreements.

## Change-In-Control Agreements

In a situation involving a change in control of our company, our executive officers would face a far greater risk of termination than the average salaried employee. To attract qualified executives that could have other job alternatives that may appear to them to be less risky absent these arrangements, and to provide them with an incentive to stay with us in the event of an actual or potential change in control, we have entered into a management continuity agreement with each of them. In addition, we view management continuity agreements for our executive officers as an important part of a competitive executive compensation package. In establishing the terms of these agreements, we looked at similar arrangements established by peer companies and by our former corporate parent. Our inclusion of particular terms in these agreements, including the applicable continuation period and provisions increasing the amount payable to account for excise taxes, reflected our subjective judgment regarding the terms offered in comparable agreements by peer companies and the desire to offer competitive arrangements.

Each of these continuity agreements provides for the individual to continue employment for a specified period after a change in control, with the same responsibilities and authorities and generally the same benefits and compensation as he had immediately prior to the change in control (including average annual increases). The length of the period was set based on the relative responsibilities of the executive officers. The period is three years for our CEO, CFO and General Counsel and ranges from one and a half to two years for the other executive officers. If during this continued employment period we or our successor were to terminate the individual's employment for reasons other than cause, or the individual voluntarily terminated his employment for a good reason (in each case as defined in the agreements), he would be entitled to certain payments and other benefits.

Because the executive must leave the company before becoming entitled to these payments and benefits, the agreement has a double trigger—the first trigger is the change in control, and the second trigger is the termination, either by the company other than for cause or by the executive for good reason. The requirement of the second trigger provides the incentive for the executive to stay with us in the event of a change in control. For more information about these payments and other benefits, see Executive Compensation—Potential Payments Upon Termination or Change in Control. The committee has reviewed the amounts that are potentially payable under these agreements and believes that they are reasonable.

## Severance Policy

We have written severance policies under which we provide severance benefits to all full-time employees at our corporate office, including our executive officers. Under these policies, an executive officer whom we terminate without cause is entitled to continue receiving his or her base salary for a specified period. The terminated officer is also entitled to receive a pro rata portion of the bonus payable for the year in which the officer is terminated, along with a pro rata payout of all LTIP awards based on the number of completed months in each performance cycle. The period was set based on the relative responsibilities of the executive officers. The period is 24 months for our CEO and 12 months for our other executive officers. An executive officer may not receive any payments under the severance policy if the executive officer is entitled to receive payments under the change-in-control continuity agreements described above.

We maintain this severance policy because we believe that such a policy is consistent with market compensation packages for executive officers and therefore is an important component of a competitive compensation package.





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**Changes for 2010 Compensation Program**

For 2010, the committee did not materially modify the framework for the executive compensation program, other than providing that the equity portion of the long-term incentive award will be subdivided as follows:

30% of the award was made in restricted stock units having terms similar to the awards made in 2009; and

70% was made in performance shares, structured similarly to performance share awards that had been made in prior years.

**Conclusion**

We have given careful thought to our executive compensation program, including each element of compensation for each executive officer for 2009. In our view, the program accomplishes our objectives for it. First, we consider the program as a whole to be competitive and believe that it has contributed to our strong retention level for executive officers over the past seven years as well as our ability to recruit new executive officers as needed, though as described above, we needed to establish levels higher than had been our custom in order to recruit Mr. Macadam. Second, we feel that the program provides appropriate incentives for the executive officers, based on the officers responsibility levels, our short- and longer-term business goals and their ability to contribute to achieving these goals. We believe that the program has contributed significantly to the success of our company over the past seven years. Finally, we believe that the company's compensation structure and practices do not establish incentives for unnecessary or excessive risk taking by management.

Finally, based on those same factors, as well as our operating results, we have concluded that the amount of total compensation paid or awarded to each executive for 2009 was reasonable.

**Table of Contents****EXECUTIVE COMPENSATION**

The following information relates to compensation paid or payable for 2009 to:

- (1) our CEO;
- (2) our CFO;
- (3) the three other most highly compensated of our executive officers who were serving as executive officers as of December 31, 2009; and
- (4) our former executive officer who accepted a non-executive officer position in September 2009.

We refer to these individuals as the named executive officers. We have also included information relating to compensation for 2008 and 2007 for the named executive officers who were also named executive officers in those years.

**Summary Compensation Table**

The following table sets forth for the named executive officers:

their names and positions held in 2009 (column (a));

year covered (column (b));

salaries (column (c));

other annual and long-term compensation (columns (d), (e), (f), (g) and (i));

the change for 2009 in the actuarial present value of their benefits under the defined benefit plans in which they participate (column (h)); and

their total compensation (column (j)), which is the sum of the amounts in columns (c) through (i).

Name and Principal Position	Year	Salary(\$)	Bonus\$(1)	Stock Awards \$(2)	Stock Options \$(3)	Non-Equity Incentive Plan Comp. \$(4)	Change in Pension Value and Deferred Comp. Earnings \$(5)	All Other Comp. \$(6)	Total Compensation \$(j)
	2009	856,731		699,997		1,159,298		172,082	2,888,108

n E. am(7) ent and Chief ive Officer	2008	587,019	426,000	1,848,425	1,285,000	1,183,725	104,145	5,43
n Dries	2009	363,462		262,492		330,387	245,569	316,585
Vice President	2008	348,384		602,009		525,326	345,736	300,152
Chief Financial	2007	340,769	20,000	258,004		524,760	360,417	305,026
d L. Magee	2009	325,039		203,456		265,325	119,569	153,725
Vice President,	2008	313,000		516,468		446,414	176,425	130,459
l Counsel and	2007	310,039	65,000	203,446		447,591	154,709	250,880
ary								
on Childress II	2009	259,615		75,006		141,399	42,021	24,717
resident,	2008	248,115		315,920		246,569	35,039	14,150
ic Planning &								
ss Development	2007	241,384		72,903		166,639	34,446	27,302
P. McKinney(8)	2009	220,154		58,307		77,560	31,042	15,050
resident Human								
ces								
. Herold(8)(9)	2009	273,423		77,998		130,136		30,925
r Vice President,								
uous								
vement								

- (1) Amounts shown include a hiring bonus that we paid to Mr. Macadam in 2008 and *ex gratia* bonuses approved for Mr. Dries and Mr. Magee for 2007 for additional duties assumed in that year resulting from the departure of another executive.
- (2) For 2009, the reported amounts are with respect to restricted stock units awarded in 2009. The reported value of these awards (and for 2008 awards of restricted shares of common stock and for 2007 awards of performance shares) has been developed solely for purposes of disclosure in accordance with the rules and regulations of the SEC and is the grant date fair value thereof under FASB ASC Topic 718 for financial reporting purposes, except that it does not reflect any adjustments for risk of forfeiture. For awards of restricted stock units, the only assumption we used in determining these amounts was the grant date share price, which in each case was the average of the high and low prices of our common stock on the day prior to the grant date. The restricted share units