

AMPCO PITTSBURGH CORP
Form DEF 14A
March 10, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No. __)

Filed by the Registrant
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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
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 Soliciting Material Pursuant to 167; 240.14a-12

Ampco Pittsburgh Corporation

(Name of Registrant as Specified In Its Charter)

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

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD WEDNESDAY, APRIL 23, 2008

TO THE SHAREHOLDERS OF

AMPCO-PITTSBURGH CORPORATION

Notice is hereby given that the Annual Meeting of the Shareholders of Ampco-Pittsburgh Corporation will be held in The Carnegie Room, 3rd Floor, The Duquesne Club, 325 Sixth Avenue, Pittsburgh, Pennsylvania, on Wednesday, April 23, 2008 at 10:00 a.m., for the following purposes:

1. To elect a class of three Directors for a term that expires in 2011.
2. To ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm for 2008.
3. To act upon a proposal to approve the Ampco-Pittsburgh Corporation 2008 Omnibus Incentive Plan.
4. To transact such other business as may properly come before the meeting and any adjournment thereof.

Shareholders of record on March 5, 2008 are entitled to notice of and to vote at the meeting.

BY ORDER OF THE BOARD OF DIRECTORS

Rose Hoover,
Vice President Administration

and Secretary

Pittsburgh, Pennsylvania

March 6, 2008

All shareholders are cordially invited to attend the meeting in person. Your vote is important and, whether or not you expect to attend in person, it is requested that you PROMPTLY fill in, sign, and return the enclosed proxy card or follow the internet or telephone

voting instructions included on the proxy card.

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PROXY STATEMENT

March 6, 2008

Annual Meeting of Shareholders April 23, 2008

SOLICITATION OF PROXIES

This Statement is furnished in connection with the solicitation of proxies to be used at the Annual Meeting of Shareholders of AMPCO-PITTSBURGH CORPORATION (the Corporation) to be held on April 23, 2008. The first mailing of the proxy material to the shareholders is expected to be made on March 14, 2008.

The accompanying proxy is solicited on behalf of the Board of Directors of the Corporation. In addition to the solicitation of proxies by use of the mails, proxies may be solicited by Directors and employees, in person or by telephone, and brokers and nominees may be requested to send proxy material to and obtain proxies from their principals. The Corporation will pay the costs incurred for those solicitations of proxies and will pay Mellon Investor Services LLC, 480 Washington Blvd., Jersey City, NJ a fee of \$7,500, plus reimbursement of reasonable out-of-pocket expenses, for aid in the solicitation of proxies.

Any shareholder has the power to revoke the proxy at any time prior to the voting thereof. Revocation of the proxy will not be effective until notice thereof has been given to the Secretary of the Corporation or until a duly executed proxy bearing a later date is presented.

VOTING SECURITIES AND RECORD DATE

Only holders of record of Common Stock of the Corporation at the close of business on March 5, 2008, will be entitled to vote at the meeting. On that date, there were 10,177,497 shares of Common Stock outstanding. The holders of those shares are entitled to one vote per share. In the election of Directors, the shares may be voted cumulatively. Cumulative voting means that the number of shares owned by each shareholder may be multiplied by the number of Directors to be elected and that total voted for the nominees in any proportion. Shares that are not voted cumulatively are voted on a one vote per share basis for each nominee, except for those nominees, if any, for whom the shareholder is withholding authority to vote.

REQUIRED VOTE

Under Pennsylvania law and the Corporation's by-laws, the presence of a quorum is required to transact business at the 2008 Annual Meeting of Shareholders. A quorum is defined as the presence, either in person or by proxy, of a majority of the votes that all shareholders are entitled to cast at the meeting. Abstentions, votes withheld from director nominees, and broker-dealer non-votes (shares held by a broker or nominee as to which the broker or nominee does not have the authority to vote on a particular matter) will be counted for purposes of determining a quorum,

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but will have no effect on matters to be voted on. Assuming the presence of a quorum, the three nominees for director receiving the highest number of votes will be elected directors and the affirmative vote of a majority of the votes cast at the meeting is necessary to approve any other proposal.

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ELECTION OF DIRECTORS

(Proposal 1)

A class of three Directors will be elected for a term of three years to fill the class of Directors whose term expires in 2008. All nominees for election to the Board of Directors are currently Directors. The nominees were recommended by the Nominating and Governance Committee and nominated by the Board of Directors at its February 20, 2008 meeting and are willing to serve as Directors if elected. **The Board unanimously recommends that you vote FOR the election of each of the nominees listed below.** If at the time of the Annual Meeting a nominee should be unable or unwilling to stand for election, the proxies will be voted for the election of such person, if any, as may be selected by the Board of Directors to replace him.

Nominees for Directors for a Term of Office Expiring in 2011:

WILLIAM K. LIEBERMAN (age 60, Director since 2004). Mr. Lieberman has been President of The Lieberman Companies since 2003. For more than five years before 2003, he was Executive Vice President of Hilb, Rogal and Hamilton Company of Pittsburgh, an insurance firm.

STEPHEN E. PAUL (age 40, Director since 2002). Mr. Paul has been a managing principal of Laurel Crown Partners, a private investment company, since 2002. He is also a director of Morton's Restaurant Group, Inc.

CARL H. PFORZHEIMER, III (age 71, Director since 1982). Mr. Pforzheimer has been Managing Partner or Manager of Carl H. Pforzheimer & Co. LLC or its predecessors or related entities for more than five years.

Directors Whose Term of Office Expires in 2010:

LEONARD M. CARROLL (age 65, Director since 1996). Mr. Carroll has been Managing Director of Seneca Capital Management, Inc., a private investment company, for more than five years. He is also a Director of Gateway Bank.

LAURENCE E. PAUL (age 43, Director since 1998). Mr. Paul has been a managing principal of Laurel Crown Partners, a private investment company, since 2002. He is also a director of Biovail Corporation.

ERNEST G. SIDDONS (age 74, Director since 1981). Mr. Siddons has been President and Chief Operating Officer since March 2004. Prior to March 2004, he was Executive Vice President and Chief Operating Officer of the Corporation for more than five years.

Directors Whose Term of Office Expires in 2009:

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ROBERT J. APPEL (age 76, Director since 2004); Mr. Appel has been President of Appel Associates since May 2003. Prior to May 2003, he was a partner of Neuberger Berman (an investment advisory firm which was acquired by Lehman Brothers) for more than five years.

WILLIAM D. EBERLE (age 84, Director since 1982). Mr. Eberle has been a private investor and consultant and Chairman of Manchester Associates, Ltd. for more than five years. He is also a director of America Service Group and Mid States, PLC.

PAUL A. GOULD (age 62, Director since 2002). Mr. Gould has been managing director of Allen & Co., Inc., an investment banking company, for more than five years. He is also a director of Liberty Media Corporation, Liberty Global, Inc. and Discovery Holding Company.

ROBERT A. PAUL (age 70, Director since 1970). Mr. Paul has been Chairman and Chief Executive Officer since March 2004. Prior to March 2004, he was President and Chief Executive Officer of the Corporation for more than five years. He is also the President and a director of The Louis Berkman Investment Company.

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At the February 20, 2008 meeting, upon the announcement of his retirement as a director, the Board of Directors named Louis Berkman Director Emeritus in recognition of his contributions and long term service to the Corporation. Mr. Berkman has been Chairman Emeritus of the Board since March 2004. Prior to March 2004, he was Chairman of the Board for more than five years. Louis Berkman is the father-in-law of Robert A. Paul and the grandfather of Laurence E. Paul and Stephen E. Paul (sons of Robert A. Paul). There are no other family relationships among the Directors and Officers.

The Board of Directors has adopted categorical standards to assist it in evaluating the independence of its Directors. The standards are attached to the Corporate Governance Guidelines which are available on the Corporation's website at www.ampcopittsburgh.com. After performing this evaluation in accordance with those guidelines, the Board has determined that Robert J. Appel, Leonard M. Carroll, William D. Eberle, Paul A. Gould, William K. Lieberman and Carl H. Pforzheimer, III do not have material relationships with the Corporation (other than as members of the Board of Directors) and are independent within the meaning of the Corporation's independence standards and those of the New York Stock Exchange (the NYSE).

Director Nominating Procedures

The Corporation's Corporate Governance Guidelines and its Nominating and Governance Committee Charter charge the Nominating and Governance Committee with selecting nominees for election to the Board of Directors and with reviewing at least annually the qualifications of new and existing members of the Board of Directors, considering the extent to which such members may be considered independent within the meaning of applicable NYSE rules as well as other appropriate factors, including overall skills and experience.

The Nominating and Governance Committee will, from time to time, seek to identify potential candidates for director nominees and will consider potential candidates proposed by other members of the Board of Directors, by management of the Corporation or by shareholders of the Corporation.

In considering candidates submitted by shareholders of the Corporation, the Nominating and Governance Committee will take into consideration the needs of the Board of Directors and the candidate's qualifications. To have a candidate considered by the Committee, a shareholder must submit the recommendation in writing and must include the following information:

The name and address of the proposed candidate;

The proposed candidate's resume or a listing of his or her qualifications to be a director of the Corporation;

A description of what would make such person a good addition to the Board of Directors;

A description of any relationship that could affect such person's qualifying as an independent director, including identifying all other public company board and committee memberships;

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A confirmation of such person's willingness to serve as a director if selected by the Nominating and Governance Committee;

The name of the shareholder submitting the name of the proposed candidate, together with information as to the number of shares owned and the length of time of ownership; and

Any information about the proposed candidate that would, under the federal proxy rules, be required to be included in the Corporation's proxy statement if such person were a nominee.

The shareholder recommendation and information described above must be sent to the Corporate Secretary at 600 Grant Street, Suite 4600, Pittsburgh, PA 15219 and, in order to allow for timely consideration, must be received not less than 120 days in advance of the anniversary date of the release of the proxy statement for the Corporation's most recent annual meeting of shareholders.

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Once a person has been identified by the Nominating and Governance Committee as a potential candidate, the Committee may collect and review publicly available information regarding the person to assess whether the person should be considered further. Generally, if the person expresses a willingness to be considered and to serve on the Board of Directors and the Nominating and Governance Committee believes that the candidate has the potential to be a good candidate, the Committee would seek to gather information from or about the candidate, including through one or more interviews as appropriate and review his or her accomplishments and qualifications generally, including in light of any other candidates that the Committee may be considering. The Nominating and Governance Committee's evaluation process does not vary based on whether the candidate is recommended by a shareholder.

Non-Management Directors

The non-management directors have regularly scheduled executive sessions. On April 25, 2007 William K. Lieberman was chosen to preside as the lead director at these meetings. A new lead director will be chosen annually. Any shareholder who wants to communicate directly with the presiding director or the non-management directors as a group can do so by following the procedure below under Shareholder Communications with Directors .

Shareholder Communications with Directors

The Board of Directors has established a process to receive communications from shareholders and other interested parties. To communicate with the Board of Directors, any individual director or any group or committee of directors, correspondence should be addressed to the Board of Directors or such individual or group or committee and sent to Ampco-Pittsburgh Corporation c/o Corporate Secretary at 600 Grant Street, Suite 4600, Pittsburgh, PA 15219. Communications sent in this manner will be reviewed by the office of the Corporate Secretary for the sole purpose of determining whether the contents represent a message to one or more of the Corporation's directors.

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COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors held five meetings in 2007 and took action one time by written consent. The Executive Committee of the Board of Directors met once and took action two times by written consent. The Executive Committee in 2007 was comprised of five Directors: Robert A. Paul, Ernest G. Siddons, Leonard M. Carroll, William K. Lieberman and Carl H. Pforzheimer, III.

The Compensation Committee met three times in 2007 and is comprised of Robert J. Appel (Chairman), William D. Eberle, Paul A. Gould and William K. Lieberman. The Nominating and Governance Committee met twice in 2007 and is comprised of Paul A. Gould (Chairman), William K. Lieberman and Carl H. Pforzheimer, III. The Investment Committee met four times in 2007 and was comprised of Robert A. Paul, Ernest G. Siddons, Robert J. Appel and Paul A. Gould.

The Audit Committee held eight meetings in 2007 and was comprised of Carl H. Pforzheimer, III (Chairman), William D. Eberle, Leonard M. Carroll, Paul A. Gould and Robert J. Appel. None of the Committee members is now, or has within the past five years been, an employee of the Corporation. The Audit Committee reviews the Corporation's accounting and reporting practices, including internal control procedures, and maintains a direct line of communication with the Directors and the independent accountants.

All members of the Audit Committee, Nominating and Governance Committee and Compensation Committee are independent as that term is defined by the applicable Securities and Exchange Commission (SEC) rules, listed company standards of the NYSE and the categorical standards adopted by the Board of Directors. Each member of the Audit Committee is financially literate. The Board of Directors has determined that the Chairman of the Audit Committee is a financial expert as defined in the applicable SEC rules.

All of the Directors attended at least 75% of the applicable board and committee meetings.

In 2007, each Director who was not employed by the Corporation received an annual retainer, payable quarterly, of \$20,000, except for the Chairman of the Audit Committee, who received \$22,500. Each non-employee Director also received \$1,000 for each Board meeting and Audit Committee meeting attended and \$500 for all other committee meetings attended. Attendance may be either in person or by telephonic connection and Directors did not receive a fee for either Board or committee meetings if they did not attend. In December 2007, the annual retainer to be paid in 2008 to non-employee Directors and to the Chairman of the Audit Committee was increased to \$25,000 and \$27,500 respectively.

The Nominating and Governance Committee Charter, the Compensation Committee Charter, the Audit Committee Charter and the Corporate Governance Guidelines are available on the Corporation's website at www.ampcopittsburgh.com. The Corporation has also adopted a Code of Business Conduct and Ethics that applies to all of its officers, directors and employees, as well as an additional Code of Ethics that applies to the Corporation's chief executive officer and chief financial officer. Copies of both Codes are available on the Corporation's website. The Corporation will provide a copy of these documents to any shareholder who makes a request in writing to the Corporate Secretary, Ampco-Pittsburgh Corporation, 600 Grant Street, Suite 4600, Pittsburgh, PA 15219.

The Corporation encourages its Directors to attend the Annual Meeting of the Corporation's shareholders. All of the Directors were in attendance at the 2007 Annual Meeting except Louis Berkman.

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**SECURITY OWNERSHIP OF CERTAIN
BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth information, to the extent known by the Corporation, concerning individuals (other than Directors or Officers of the Corporation) or entities holding more than five percent of the outstanding shares of the Corporation's Common Stock. The percent of class in the table below is calculated based upon 10,177,497 shares outstanding as of March 5, 2008.

Name of beneficial owner	Amount and nature of beneficial ownership	Percent of class
The Louis Berkman Investment Company	1,613,842(1)	15.86
P. O. Box 576 Steubenville, OH 43952		
Gabelli Funds, Inc.	1,609,362(2)	15.81
(and affiliates) Corporate Center Rye, NY 10580		
Van Den Berg Management	810,998(3)	7.97
805 Las Cimas Parkway Austin, TX 78746		
Keeley Asset Management Corp.	787,500(4)	7.7
401 South LaSalle Street Chicago, IL 60605		

(1) Louis Berkman, Director Emeritus, is an officer and director of The Louis Berkman Investment Company and owns directly 61.51% of its common stock. Robert A. Paul, is an officer and director of The Louis Berkman Investment Company, and disclaims beneficial ownership of the 38.49% of its common stock owned by his wife.

(2) Reported in an amendment to Schedule 13D filed with the SEC in July 2007.

(3) Reported as of December 31, 2004 on a Schedule 13G filed with the SEC disclosing it had shared and sole voting and dispositive power of these shares.

(4) Reported as of December 31, 2007 on a Schedule 13G filed with the SEC in which it disclosed it shares beneficial ownership of 780,000 shares with Keeley Small Cap Value Fund.

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The following table sets forth as of March 5, 2008 information concerning the beneficial ownership of the Corporation's Common Stock by the Directors and Named Executive Officers and all Directors and Executive Officers of the Corporation as a group:

Name of beneficial owner	Amount and nature of beneficial ownership	Percent of class
Louis Berkman	1,831,108(1)(2)	17.99
Robert A. Paul	57,922(2)(3)	.57
Carl H. Pforzheimer, III (N)	2,733(4)	.03
Terrence W. Kenny	2,500(5)	.02
Ernest G. Siddons	1,833(6)	.02
Leonard M. Carroll	1,500	.01
Robert J. Appel	1,000	*
Paul A. Gould	1,000	*
Laurence E. Paul	1,000	*
Stephen E. Paul (N)	1,000	*
William D. Eberle	1,000(7)	*
William K. Lieberman (N)	1,000(8)	*
Robert F. Schultz	200(9)	*
Directors and Executive Officers as a group (15 persons)	1,902,530(10)	18.69

(N) Nominee for Director

* less than .1%

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- (1) Includes 215,000 shares owned directly, 1,613,842 shares owned by The Louis Berkman Investment Company and the following shares in which he disclaims beneficial ownership: 1,266 shares held by The Louis and Sandra Berkman Foundation, of which he and Robert A. Paul are Trustees, and 1,000 shares owned by his wife.
- (2) The Louis Berkman Investment Company owns beneficially and of record 1,613,842 shares of the Corporation's Common Stock. Louis Berkman is an officer and director of The Louis Berkman Investment Company and owns directly 61.51% of its common shares. Robert A. Paul, an officer and director of The Louis Berkman Investment Company, disclaims beneficial ownership of the 38.49% of its common stock owned by his wife. The number of shares shown in the table for Robert A. Paul does not include any shares held by The Louis Berkman Investment Company.
- (3) Includes 42,889 shares owned directly, and the following shares in which he disclaims beneficial ownership: 13,767 shares owned by his wife and 1,266 shares held by The Louis and Sandra Berkman Foundation, of which he and Louis Berkman are Trustees.
- (4) Includes 1,000 shares owned directly, 800 shares held by a trust of which he is a trustee and principal beneficiary, and the following shares in which he disclaims beneficial ownership: 133 shares held by his daughter and 800 shares held by a trust of which he is a trustee.
- (5) Shares that he has the right to acquire within 60 days pursuant to stock options.
- (6) Shares held jointly with his wife.
- (7) Shares held by a trust of which he is a trustee.
- (8) Shares held jointly with his wife.
- (9) Shares held jointly with his wife.
- (10) Includes 2,500 shares that one officer has the right to acquire within 60 days pursuant to stock options and excludes double counting of shares deemed to be beneficially owned by more than one Director.

Unless otherwise indicated the individuals named have sole investment and voting power.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Corporation's directors, executive officers and persons who beneficially own more than 10% of the Corporation's common stock, to file reports of holdings and transactions in the Corporation's common stock with the SEC and to furnish the Corporation with copies of all Section 16(a) reports that they file. Based on those records and other information furnished, during 2007, executive officers, directors and persons who beneficially own more than 10% of the Corporation's common stock complied with all filing requirements.

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EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

In this Compensation Discussion and Analysis, we address the compensation paid or awarded to the executive officers listed in the Summary Compensation Table that immediately follows this discussion. We refer to these executive officers as our named executive officers.

Compensation decisions for Mr. Paul, our Chairman and Chief Executive Officer (CEO), are made by the recommendation of the Compensation Committee of our Board of Directors (the Committee) and approved by the independent directors on the Board of Directors. Mr. Paul is also referred to as Principal Executive Officer or PEO . The Committee, in consultation with Mr. Paul, makes recommendations to our Board of Directors with regard to director compensation and compensation of Mr. Siddons, our President and Chief Operating Officer and other officers and managerial employees if their salaries exceed \$200,000 per year. Mr. Paul and Mr. Siddons have been delegated the authority to determine the salaries of named executive officers (and other executive and managerial employees) below an annual level of \$200,000, which, for 2007, included the salaries of all named executive officers other than Mr. Paul and Mr. Siddons.

2007 COMPENSATION

Compensation Objectives

The compensation paid or awarded to our named executive officers for 2007 was designed to meet the following objectives:

Provide compensation that is competitive with compensation for executive officers providing comparable services, taking into account the size of the Corporation, the nature of its business, and the location of its headquarters. We refer to this objective as competitive compensation.

Create a compensation structure under which a meaningful portion of total compensation is based on achievement of performance goals relating to the Corporation's and the individuals' performance and to enhancement of shareholder value. We refer to this objective as performance incentives.

Provide an incentive for long-term continued employment with us. We refer to this objective as retention incentives.

We considered various components of our 2007 compensation payments and awards (added to payments and awards granted in prior years) to meet these objectives as follows:

Type of Compensation	Objectives Addressed
Salary	Competitive Compensation Performance Incentives
Incentive Bonus Plan Awards	Competitive Compensation Performance Incentives
Discretionary Bonus Awards	Competitive Compensation Performance Incentives
Options	Competitive Compensation Performance Incentives
Change in Control Severance Protection	Competitive Compensation Retention Incentives
SERP Benefits	Competitive Compensation Retention Incentives

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In assessing competitive compensation, we relied primarily on the general knowledge of our Committee and Board members and our Chairman and CEO concerning the level of compensation provided by other middle market public companies headquartered in the Greater Pittsburgh area, with such knowledge derived informally from their service on other boards of directors, their acquaintances with directors and executives of other companies and their review of public filings by such companies. We did not rely on benchmarking data or recommendations provided by outside consultants, and we did not try to set the levels of compensation for named executive officers to correspond with levels established by benchmarking data or surveys. Rather, our goal was to provide an overall compensation package that would generally be in line with what other comparable companies are providing to their executive officers.

Salaries

New salary levels for our named executive officers are established on an annual basis at varying anniversary dates. The Corporation's financial results are taken into account in making the adjustments.

Determinations regarding salary adjustments are made based on a number of objective and subjective factors, including cost of living increases, the Corporation's financial performance, and a qualitative analysis of each individual officer's performance during the preceding year, taking into account such factors as leadership, commitment and execution of corporate initiatives and special projects assigned by the Board or the Chairman or the President. We also consider whether there has been any material change in the officer's title, duties and responsibilities in the preceding year. Where an officer has assumed material additional duties, or has been promoted, an above-normal salary adjustment would typically be justified. Finally, in rare circumstances, we may decide to make a market adjustment in salaries, if we determine that salary levels for one or more of our named executive officers have fallen materially below levels that we consider appropriate in order to maintain a competitive compensation package and to discourage valued executives from leaving to pursue other opportunities. Salary adjustments for our Chairman and our President are reviewed and must be approved by the Board of Directors, after a recommendation by the Committee. Salary adjustments for the other named executive officers are determined by the Chairman and President.

The base salary determinations for each named executive officer in 2007 were as follows:

Name	2007 Base Pre-Adjustment Salary	2007 Base Adjusted Salary(1)	Percentage Increase
Robert A. Paul	\$ 494,000	\$ 519,000	5.1%
Ernest G. Siddons	\$ 472,000	\$ 497,000	5.3%
Robert F. Schultz	\$ 186,000	\$ 196,000	5.4%
Terrence W. Kenny	\$ 180,000	\$ 190,000	5.6%
Rose Hoover	\$ 160,000	\$ 172,500	7.8%
Marliss D. Johnson	\$ 135,000	\$ 155,000	14.8%

- (1) The numbers in the above chart are different than the 2007 salary figures in the Summary Compensation Table which appears later in this section because those numbers represent total salary paid during calendar 2007, and not just base salary as in the above chart.

Incentive Bonus Plan Awards

The Committee adopted in December of 2006 an Incentive Bonus Plan for 2007 for Messrs. Paul and Siddons. Incentive payments were to be determined based on the Corporation's 2007 income from operations performance as compared to the Corporation's business plan for 2007. The maximum payment that could have been made as a bonus to each of the two individuals was 40% of their base salary. The plan allows for the

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exclusion of costs related to asbestos litigation and related asbestos matters and pension credit from operating income. In addition, the Committee, at its discretion, may award bonuses to the participants if it determines that circumstances so warrant. Based on the Corporation's operating income, which in 2007 materially exceeded the business plan, each of Messrs. Paul and Siddons earned an Incentive Bonus Award for 2007 equal to 40% of their annual salary in effect on December 31, 2007, or \$207,600 for Mr. Paul and \$198,800 for Mr. Siddons. No discretionary award was made.

In December 2007, the Committee approved a similar bonus plan for Messrs. Paul and Siddons for 2008 with a maximum payment to the individuals of 40% of annual salary based on the operating performance of the Corporation in 2008 in comparison to the approved business plan.

Mr. Kenny, Group Vice President and a named executive officer, is also covered by an Incentive Bonus Plan for 2007 based on income from operations of the Air and Liquid Processing segment compared to the business plan for that segment. The Incentive Bonus Plan is established by the Chairman and President and provides for a maximum bonus payment of 35% of base salary. In addition, the plan provides for a discretionary bonus if it is determined that circumstances so warrant. In 2007, Mr. Kenny earned an Incentive Bonus Award equal to 35% of his annual salary in effect on December 31, 2007 or \$66,500. No discretionary bonus was awarded. A similar plan was also established for Mr. Kenny by the Chairman and President for 2008.

Discretionary Bonus Awards

Each year, the Chairman and President determine the amount of discretionary bonuses paid to our named executive officers who do not participate in the Incentive Bonus Plans described above. The bonuses are determined in a manner similar to the annual base salary adjustments, that is, based on a number of objective and subjective factors, including the Corporation's financial performance, and a qualitative analysis of each individual officer's performance during the preceding year, taking into account such factors as leadership, commitment, and execution of corporate initiatives and special projects assigned by the Chairman or by the President. The discretionary bonuses are also considered together with the base salary adjustments in ensuring that our executive officers are provided a competitive level of cash compensation each year, but the discretionary bonus portion provides flexibility to adjust total annual cash compensation to align with current performance (whereas a base salary adjustment is carried forward from year to year). For 2007, the following discretionary bonus awards were given for our named executive officers who did not participate in an Incentive Bonus Plan:

Name	Bonus Amount
Rose Hoover	\$ 55,000
Marliss D. Johnson	\$ 45,000
Robert F. Schultz	\$ 55,000

ROLE OF OPTION GRANTS

In prior years, the Stock Option Committee made grants of stock options under the 1997 Stock Option Plan, as amended, to the named executive officers and certain other key employees of the Corporation as determined by the Chairman and President. The Option grants to the named executive officers were determined in a manner similar to the annual base salary adjustments and discretionary bonus program, that is, based on a number of objective and subjective factors, including the Corporation's financial performance, and a qualitative analysis of each individual officer's performance during the preceding year, taking into account such factors as leadership, commitment, and execution of corporate initiatives and special projects assigned by the Chairman or by the President. There are no more shares reserved for issuance under the 1997 Stock Option Plan and, therefore, no options were granted in 2007.

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ONGOING AND POST-EMPLOYMENT AGREEMENTS

We have several plans and agreements that enable our named executive officers to accrue retirement benefits as the executives continue to work for us and one that could provide severance benefits upon a change in control. These plans and agreements have been adopted and/or amended at various times over many years, and they have been designed to be a part of a competitive compensation package. The plans and agreements described below do not include plans that are generally available to all of our salaried employees:

Supplemental Executive Retirement Plan (SERP) We maintain a supplemental executive retirement plan, which is a nonqualified deferred compensation plan that provides benefits for executives in excess of the benefits that may be provided under our tax qualified defined benefit retirement plan (Plan) as a result of limits imposed by the Internal Revenue Code. The SERP also provides additional payment rights and benefits in the event of a change in control. All of our named executive officers participate in the SERP. See the Retirement Benefits table and accompanying narrative for a description of the SERP.

Change in Control Agreements We have change in control agreements with respect to each of our named executive officers. Our agreements with executives provide for payments and other benefits if we terminate an executive's employment without cause or if the executive terminates employment for good reason within 24 months following a change in control. The agreements covering our Chairman and our President also provide that if the change in control payments exceed certain threshold amounts, we will make additional payments to reimburse the executives for excise and related taxes imposed under the Internal Revenue Code. The change in control agreements are described under Potential Payments Upon Termination or Change in Control below. See Tax Considerations below for further information regarding the excise tax reimbursement.

TAX CONSIDERATIONS

Under Section 162(m) of the Internal Revenue Code, a publicly held corporation may not deduct more than \$1 million in a taxable year for certain forms of compensation paid to the chief executive officer and other officers listed in the Summary Compensation Table. Our policy is generally to preserve the federal income tax deductibility of compensation paid to our executives. Nevertheless, we retain the flexibility to authorize compensation that may not be deductible if we believe it is in the best interests of our Corporation. While we believe that all compensation paid to our executives in 2007 was deductible, a portion of compensation paid in future years may not be deductible as a result of Section 162(m).

In the event of a change in control, payments to an executive may be subject to an excise tax, and may not be deductible by us, under Sections 280G and 4999 of the Internal Revenue Code. If change in control payments exceed certain threshold amounts, the change in control agreements with our Chairman and our President require that we may make additional payments to the executives to reimburse them for excise tax imposed by Section 4999 of the Internal Revenue Code, as well as other taxes in respect of the additional payments. The change in control agreements were implemented in 1988 to motivate our named executives to increase shareholder value while remaining employed by us. Our Chairman and our President are most significantly at risk of incurring a material reduction in the value of their change in control benefits as the result of this excise tax, and we believe that the retention incentives provided to them by these agreements would be frustrated by the possible imposition of these significant excise taxes. We did not wish to have the provisions of these agreements for our Chairman and our President serve as a disincentive to their pursuit of a change in control that might otherwise be in the best interests of our Corporation and its stockholders. Accordingly, we determined to provide a payment under certain circumstances to reimburse them for excise taxes payable in connection with change in control payments, as well as any taxes that accrue as a result of our reimbursement. We believe that, in view of their record in enhancing value for our stockholders, this determination is appropriate.

ROLE OF EXECUTIVE OFFICERS IN DETERMINING EXECUTIVE COMPENSATION

As discussed above, Mr. Paul and Mr. Siddons determined the appropriate salary adjustments and discretionary bonuses to be provided to named executive officers other than themselves.

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SUMMARY COMPENSATION TABLE

Summary compensation information for our named executive officers for 2007 is set forth in the following table:

(a)	(b)	(c)	(d)	(g)	(h)	(i)	(j)
Name and Principal Position	Year (\$)	Salary (\$)	Bonus (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (1) (\$)	Total (\$)
PEO Robert A. Paul, Chairman and Chief Executive Officer	2007	506,500		207,600	173,688	42,155	929,943
	2006						