REGAL BELOIT CORP
Form DEF 14A
March 28, 2013

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

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

o Preliminary Proxy Statement

þ Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

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REGAL-BELOIT 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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REGAL BELOIT CORPORATION
200 State Street
Beloit, Wisconsin 53511

Notice of 2013 Annual Meeting of Shareholders
To Be Held April 29, 2013

To the Shareholders of Regal Beloit Corporation:

You are hereby notified that the 2013 Annual Meeting of Shareholders of Regal Beloit Corporation will be held at the James L. Packard Learning Center located at the Company's corporate headquarters, 200 State Street, Beloit, Wisconsin 53511, on Monday, April 29, 2013, at 9:00 a.m., Central Daylight Time, for the following purposes:

1. To elect three Class B Directors for terms expiring at the 2016 Annual Meeting of Shareholders.
2. To consider a shareholder advisory vote on the compensation of the Company's named executive officers as disclosed in the accompanying proxy statement.
3. To approve the Regal Beloit Corporation 2013 Equity Incentive Plan.
4. To ratify the selection of Deloitte & Touche LLP as the independent auditors for the Company for the year ending December 28, 2013.
5. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

The Board of Directors has fixed the close of business on March 11, 2013 as the record date for the determination of the shareholders entitled to notice of and to vote at the annual meeting.

We hope that you will be able to attend the meeting in person, but if you are unable to do so, please complete, sign and promptly mail back the enclosed proxy form, using the return envelope provided. You also have the option to vote your shares by the Internet or telephone by following the instructions printed on the enclosed proxy card. If, for any reason, you should subsequently change your plans, you may, of course, revoke your proxy at any time before it is actually voted.

By Order of the Board of Directors
REGAL BELOIT CORPORATION

Peter C. Underwood
Vice President, General Counsel and Secretary

Beloit, Wisconsin
March 29, 2013

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on April 29, 2013. The Regal Beloit Corporation proxy statement for the 2013 Annual Meeting of Shareholders and 2012 Annual Report to Shareholders are available at www.proxydocs.com/rbc.

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PROXY STATEMENT

This proxy statement and accompanying proxy card are being mailed to holders of Regal Beloit Corporation ("we" or the "Company") common stock beginning on or about March 29, 2013. The Company, on behalf of its Board of Directors (the "Board"), is soliciting your proxy to vote your shares of the Company's common stock at the 2013 annual meeting of shareholders, and all adjournments or postponements thereof (the "Annual Meeting"). We solicit proxies to give all shareholders of record an opportunity to vote on matters that will be presented at the Annual Meeting. In this proxy statement, you will find information on these matters, which is provided to assist you in voting your shares.

COMMONLY ASKED QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING

Q: What am I being asked to vote on?

A:
- The election of directors;
- An advisory vote on the compensation of our named executive officers as disclosed in this proxy statement;
- The Regal Beloit Corporation 2013 Equity Incentive Plan; and
- Ratification of the selection of Deloitte & Touche LLP as our independent auditors for the year ending December 28, 2013.

Q: Who can vote?

A: Holders of our common stock as of the close of business on the record date, March 11, 2013, may vote at the Annual Meeting, either in person or by proxy. Each share of common stock is entitled to one vote.

Q: How do I vote?

A: By Proxy—Before the Annual Meeting, you can give a proxy to vote your shares of common stock in one of the following ways:

- by telephone;
- by using the Internet; or
- by completing and signing your proxy card and mailing it in time to be received prior to the Annual Meeting.

The telephone and Internet voting procedures are designed to confirm your identity, to allow you to give your voting instructions and to verify that your instructions have been properly recorded. If you wish to vote by telephone or Internet, please follow the instructions that are printed on the enclosed proxy card.

If you mail to us your properly completed and signed proxy card, or vote by telephone or the Internet, then your shares of common stock will be voted according to the choices that you specify. If you sign and mail your proxy card to us without making any choices, your proxy will be voted:

- FOR the election of all persons nominated by the Board for election as directors;
- FOR the approval of the compensation of our named executive officers;
- FOR the approval of the 2013 Equity Incentive Plan; and

- FOR the ratification of the selection of Deloitte & Touche LLP as our independent auditors for the year ending December 28, 2013.

Other than the election of directors, approval of the compensation of our named executive officers, approval of the 2013 Equity Incentive Plan, and the ratification of the selection of our independent auditors, we are not currently aware of any other matters that will be brought before the Annual Meeting. However, by giving your proxy, you appoint the persons named as proxies as your representatives at the Annual Meeting. If a matter comes up for a vote at the Annual Meeting that is not included in the proxy materials, then the proxy holders will vote your shares in accordance with their best judgment.

In Person—You may come to the Annual Meeting and cast your vote there. If your shares are held in the name of your broker, bank or other nominee and you wish to vote at the Annual Meeting, then your broker, bank or other nominee will provide you with instructions for voting your shares.

Q: May I change or revoke my vote?

A: You may change your vote or revoke your proxy at any time prior to your shares being voted by:

- notifying our Secretary in writing that you are revoking your proxy;
- giving another signed proxy that is dated after the date of the proxy that you wish to revoke;
- using the telephone or Internet voting procedures; or
- attending the Annual Meeting and voting in person (attendance at the Annual Meeting alone will not revoke your proxy).

Q: Will my shares be voted if I do not provide my proxy?

A: It depends on whether you hold your shares in your own name or in the name of a brokerage firm. If you hold your shares directly in your name, then they will not be voted unless you provide a proxy or vote in person at the Annual Meeting. Brokerage firms or other nominees generally have the authority to vote customers' uninstructed shares on certain "routine" matters. If your shares are held in the name of a brokerage firm, the brokerage firm has the discretionary authority to vote your shares in connection with the ratification of our independent auditors if you do not timely provide your proxy because this matter is considered "routine" under the New York Stock Exchange ("NYSE") listing standards.

However, if you have not provided directions to your broker, your broker will not be able to vote your shares with respect to the election of directors, the approval of the compensation of our named executive officers, or the approval of the 2013 Equity Incentive Plan. We strongly encourage you to submit your proxy card and exercise your right to vote as a shareholder.

Q: What constitutes a quorum?

A: As of the record date, March 11, 2013, 44,978,667 shares of our common stock were issued and outstanding and entitled to vote at the Annual Meeting. To conduct the Annual Meeting, a majority of the shares entitled to vote must be present in person or by proxy. This is referred to as a "quorum." If you submit a properly executed proxy card or vote by telephone or the Internet, then you will be considered present at the Annual Meeting for purposes of determining the presence of a quorum. Abstentions and broker "non-votes" will be counted as present and entitled to vote for purposes of determining the presence of a quorum. A broker "non-vote" occurs when a broker or other nominee who holds shares for another person has not received voting instructions from the owner of the shares and, under NYSE rules, does not have discretionary authority to vote on a proposal.

Q: What vote is needed for these proposals to be adopted?

A: Proposal 1—The affirmative vote of the holders of a majority of the shares of our common stock represented in person or by proxy at the Annual Meeting is required to elect each director (assuming a quorum is present). Withhold votes, abstentions and broker "non-votes" will have the effect of votes against the election of director nominees.

Proposal 2— The affirmative vote of the holders of a majority of the shares of our common stock represented in person or by proxy at the Annual Meeting is required to approve the compensation of our named executive officers (assuming a quorum is present). Because this vote is advisory, the results of the vote are not binding on our Board of Directors or our Compensation and Human Resources Committee. However, if there is a significant vote against the compensation of our named executive officers, our Board of Directors and our Compensation and Human Resources Committee will carefully evaluate whether any actions are necessary to address those concerns. Abstentions and broker non-votes will have the effect of votes against this proposal.

Proposal 3— The affirmative vote of the holders of a majority of the shares of our common stock represented in person or by proxy at the Annual Meeting (assuming a quorum is present) is required to approve the 2013 Equity Incentive Plan, provided that a majority of the outstanding shares of our common stock are voted on the proposal. Abstentions and broker non-votes will have the effect of votes against this proposal, and abstentions, but not broker non-votes, will count as a vote for purposes of determining whether a majority of the outstanding shares of our common stock are voted on the proposal.

Proposal 4—The affirmative vote of the holders of a majority of the shares of our common stock represented and voted at the Annual Meeting (assuming a quorum is present) is required to ratify the selection of Deloitte & Touche LLP as our independent auditors for the year ending December 28, 2013. Abstentions will have the effect of votes against this proposal.

Q: Who conducts the proxy solicitation and how much will it cost?

A: We are requesting your proxy for the Annual Meeting and will pay all costs of soliciting shareholder proxies. In addition to soliciting proxies by mail, we may request proxies personally and by telephone, fax or other means. We can use our directors, officers and regular employees to request proxies. These people do not receive additional compensation for these services. We will reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket and clerical expenses for forwarding solicitation materials to beneficial owners of our common stock.

Q: Are the Company's proxy materials available on the Internet?

A: Yes. The Company's proxy statement for the 2013 Annual Meeting of Shareholders and 2012 Annual Report to Shareholders are available at www.proxydocs.com/rbc.

PROPOSAL 1: ELECTION OF DIRECTORS

The Board is currently comprised of nine directors, divided into three classes of three members each, with the terms of one class of directors expiring each year. The Board has nominated Christopher L. Doerr, Mark J. Gliebe and Curtis W. Stoelting, each of whom is currently serving as a director, for election at the Annual Meeting as Class B directors to serve until the 2016 annual meeting of shareholders and until their successors are duly elected and qualified. All of our other directors are expected to serve on the Board until their respective terms expire as indicated below.

Unless shareholders otherwise specify, the shares represented by the proxies received will be voted in favor of the election as directors of the persons named as nominees herein. The Board has no reason to believe that any of the listed nominees will be unable or unwilling to serve as a director if elected. However, in the event that any nominee should be unable or unwilling to serve, the shares represented by proxies received will be voted for another nominee selected by the Board.

The following sets forth certain information, as of March 11, 2013, about each of the Board nominees for election at the Annual Meeting and each director whose term will continue after the Annual Meeting. Except as otherwise noted, each nominee has engaged in the principal occupation or employment and has held the offices shown for more than the past five years.

Nominees for Election at the Annual Meeting

Name	Age	Director Since	Principal Occupation; Office, if any, Held in the Company; Other Directorships
Class B Directors—Terms Expiring at the 2013 Annual Meeting of Shareholders			
Christopher L. Doerr	63	2003	Co-CEO of Sterling Aviation Holdings, Inc. (aircraft management and charter company) since 2004 and Co-CEO of Passage Partners, LLC (a private investment company) since 2001; Former Executive Chairman and Chief Executive Officer of Karl's Rental, Inc. (global manufacturer and supplier of portable event structures and related equipment) from 2009 to December 2011; former President and Co-CEO, Leeson Electric Corporation from 1986-2001. Mr. Doerr is currently a director of Roadrunner Transportation Systems, Inc., and has served as director of several privately-held and publicly-traded companies and as a chief executive officer of a number of privately-held companies. Mr. Doerr's leadership experience and operations and manufacturing, international business and brand marketing expertise garnered from these positions, as well as his familiarity with our industry from his time as co-chief executive officer of Leeson Electric Corporation, which manufactures electric motors, gear boxes and drives, led to the conclusion that he should serve as a director of the Company.

Mark J. Gliebe	52	2007	Chairman of the Board and Chief Executive Officer of the Company; was appointed Chairman of the Board in January 2012 and became Chief Executive Officer in May 2011; served as President and Chief Operating Officer of the Company from December 2006 to May 2011; Vice President and President-Electric Motors Group of the Company from January 2005 to December 2005; prior thereto employed by General Electric Company (a diversified industrial and commercial manufacturing corporation) as the General Manager of GE Motors & Controls in the GE Consumer & Industrial business unit from 2000-2004. Mr. Gliebe's skills in corporate transactions, operations and manufacturing, international business, brand marketing and enterprise risk management, and his familiarity with the industry in which we compete, acquired through his prior background as a manager and executive at a publicly-traded company and as an executive of the Company, led to the conclusion that he should serve as a director of the Company.
Curtis W. Stoelting	53	2006	Chief Executive Officer of TOMY International (formerly RC2 Corporation, a designer, producer and marketer of high-quality toys, collectibles and infant and toddler products), since 2003; prior thereto served as Chief Operating Officer of RC2 Corporation from 2000-2003 and Executive Vice President from 1998-2003; director, TOMY Company, Ltd. Mr. Stoelting's skills in business development and corporate transactions, operations and manufacturing, international business, brand marketing and enterprise risk management gained as a chief executive officer and director of a publicly held company, as well as his financial expertise as a certified public accountant, led to the conclusion that he should serve as a director of the Company.

THE BOARD RECOMMENDS THE FOREGOING NOMINEES FOR ELECTION AS DIRECTORS AND URGES EACH SHAREHOLDER TO VOTE "FOR" ALL NOMINEES.

Directors Continuing in Office:

Name	Age	Director Since	Principal Occupation; Office, if any, Held in the Company; Other Directorships
Class C Directors—Terms Expiring at the 2014 Annual Meeting of Shareholders			
Thomas J. Fischer	65	2004	Corporate financial, accounting and governance consultant since 2002; retired Deputy Managing Partner for the Great Plains Region and Milwaukee office managing partner, Arthur Andersen LLP; director, Badger Meter Inc., Actuant Corporation and Wisconsin Energy Corporation. The skills Mr. Fischer acquired through these positions in the areas of financial matters, accounting and auditing matters including financial reporting, corporate transactions and enterprise risk management, as well as his background as a director and audit committee member of several publicly-traded companies, led to the conclusion that he should serve as a director of the Company.
Carol N. Skornicka	71	2006	Retired Sr. Vice President-Corporate Affairs, Secretary and General Counsel of Midwest Air Group (a holding company for a commercial airline company); employed by Midwest from 1996 to her retirement in February 2008. In addition to her private sector experience, Ms. Skornicka served as Secretary of the State of Wisconsin Department of Industry, Labor and Human Relations from 1991 to 1996. Ms. Skornicka's experience in leadership roles in the public and private sectors, her career as an executive of a publicly-traded company, and her resulting skills in the areas of government relations, legal matters, corporate communications and enterprise risk management led to the conclusion that she should serve as a director of the Company.
Rakesh Sachdev	56	2007	President and Chief Executive Officer of Sigma-Aldrich Corporation (a life science and technology company that develops and sells biochemical and organic chemical products and kits) since November 2010; prior thereto served as Vice President and Chief Financial Officer of Sigma-Aldrich Corporation since October 2008; prior thereto worked in various positions with ArvinMeritor, Inc. since 1999, including Senior Vice President and President of Asia Pacific from 2007 to October 2008, Senior Vice President-Strategy and Corporate Development from 2005 to 2007 and Vice President and Corporate Controller/Interim CFO from 2003 to 2005. Mr. Sachdev has held varied executive positions at publicly-traded manufacturing companies over his career, giving him experience in the areas of corporate transactions, operations and manufacturing, international business, corporate communications and enterprise risk management. Mr. Sachdev also has significant financial expertise as a chief financial officer and an educational background in mechanical engineering. These skills led to the conclusion that Mr. Sachdev should serve as a director of the Company.

Name	Age	Director Since	Principal Occupation; Office, if any, Held in the Company; Other Directorships
Class A Directors – Terms Expiring at the 2015 Annual Meeting of Shareholders			
Stephen M. Burt	48	2010	Managing Director of Duff & Phelps (a provider of independent financial advisory and investment banking services) and President of Duff & Phelps Securities, LLC (a provider of merger and acquisition advisory services) since 1994. Mr. Burt's experience in global mergers and acquisitions, business development and capital raising, as well as his background in corporate banking and advisory services, experience with manufacturing industries and education in finance, led to the conclusion that he should serve as a director of the Company.
Henry W. Knueppel	64	1987	Non-Executive Chairman of Harsco Corporation (a diversified, multinational provider of industrial services and engineered products); Interim Chairman and Chief Executive Officer of Harsco Corporation from February 2012 to September 2012; Former Chairman of the Board and Chief Executive Officer of the Company from April 2006 to May 2011; elected Chief Executive Officer April 2005; President and Chief Operating Officer from 2002-2005; Executive Vice President from 1987-2002; employed by the Company since 1979; director, Harsco Corporation, Snap-on, Inc, and, Wisconsin Energy Corporation. Mr. Knueppel's experience as a former executive of the Company and his resulting skills in the areas of corporate transactions, operations and manufacturing, international business, brand marketing, corporate communications and enterprise risk management, along with his familiarity with our business and industry and his former role as our Chairman and Chief Executive Officer, led to the conclusion that he should serve as a director of the Company.
Dean A. Foate	54	2005	President and Chief Executive Officer of Plexus Corporation (an electronics manufacturing services company) since 2002; served as Chief Operating Officer of Plexus Corporation from 2001-2002; director of Plexus Corporation. Mr. Foate's experience as a chief executive officer, in business development and corporate transactions, operations and manufacturing, international business, brand marketing and enterprise risk management gained as an executive and a director of a publicly-traded company, as well as his background in electrical engineering, led to the conclusion that he should serve as a director of the Company.

BOARD OF DIRECTORS

Corporate Governance and Independent Directors

The Board has in effect Corporate Governance Guidelines that, in conjunction with the Board committee charters, establish processes and procedures to help ensure effective and responsive governance by the Board. The Corporate Governance Guidelines are available, free of charge, on our website at www.regalbeloit.com. We are not including the information contained on or available through our website as a part of, or incorporating such information by reference into, this Proxy Statement.

The Corporate Governance Guidelines provide that a majority of the members of the Board must be independent directors under the listing standards of the NYSE. The Board has also adopted certain categorical standards of director independence to assist it in making determinations of director independence and which are contained in the Corporate Governance Guidelines. The categorical standards of director independence adopted by the Board are available on our website at www.regalbeloit.com.

Based on these standards, the Board has affirmatively determined by resolution that Messrs. Burt, Doerr, Fischer, Foate, Sachdev and Stoelting and Ms. Skornicka have no material relationship with the Company, and, therefore, each is independent in accordance with the NYSE listing standards and with the categorical standards of director independence adopted by the Board. The Board will regularly review the continuing independence of the directors.

Code of Business Conduct and Ethics

The Board has adopted the Regal Beloit Corporation Code of Business Conduct and Ethics, which applies to our directors, officers and employees. The Code is available, free of charge, on our website at www.regalbeloit.com.

Board Leadership Structure

Our Board does not have a policy on whether or not the roles of CEO and Chairman should be separate. Our Board reserves the right to vest the responsibilities of the CEO and Chairman in different individuals or in the same individual if in the Board's judgment a combined CEO and Chairman position is in the best interest of our company. In the circumstance where the responsibilities of the CEO and Chairman are vested in the same individual, or where the Chairman is not considered independent, the Board will designate a Presiding Director from among the independent directors to preside at the meetings of the non-employee director executive sessions.

Effective at our 2011 annual shareholders meeting held on May 2, 2011, Mark J. Gliebe succeeded Henry W. Knueppel as our Chief Executive Officer. Effective January 2, 2012, Mr. Gliebe was appointed to succeed Mr. Knueppel as Chairman of the Board. Our Board believes that Mr. Gliebe, as Chairman of the Board, best serves the needs of the Board and our shareholders. Our Board made this determination in part because it believes that Mr. Gliebe's extensive experience and qualifications within the electric motor industry and in-depth knowledge of our markets and customer base will allow him to provide strong leadership and act as a unified spokesperson on behalf of the Company. Our Board also believes that having Mr. Gliebe serve as both our Chief Executive Officer and our Chairman of the Board will allow him to leverage the information gained from both roles to lead the Company most effectively.

Presiding Director

To supplement the combined Chairman and CEO position, our Board created a Presiding Director role. The position of the Presiding Director rotates periodically among the non-employee directors as determined by the Board upon the recommendation of the Corporate Governance and Director Affairs Committee. Mr. Doerr currently serves as the Presiding Director. The Presiding Director is an independent and empowered director who is appointed by the independent directors and who works closely with the Chairman.

In addition to serving as the principal liaison between the independent directors and the Chairman in matters relating to the Board as a whole, the primary responsibilities of the Presiding Director are as follows:

- Preside at all meetings of the Board at which the Chairman is not present, including any executive sessions of the independent directors, and establish agendas for such executive sessions in consultation with the other directors and the Chairman;
- Review and approve proposed Board meeting agendas;
- Review and approve Board meeting schedules to help assure that there is sufficient time for discussion of all agenda items;
- Have the authority to call meetings of the independent directors as appropriate; and
- Be available, as deemed appropriate by the Board, for consultation and direct communication with shareholders.

Oversight of Risk Management

Our full Board is responsible for the oversight of our company's operational and strategic risk management process. In furtherance of the Board's risk management oversight goals, the Board has created a Risk and Compliance Committee comprised of senior management and key managers of each of our company's business units and functions around the world. The Risk and Compliance Committee is charged with, among other things, identifying, assessing and developing a mitigation strategy for significant risks that could impact our ability to meet our objectives and execute our strategies. The management-based Risk and Compliance Committee identifies and clarifies significant risks that may impact our company and assesses those risks, resulting in the establishment of a plan response/mitigation strategy for significant risks. The management-based Risk and Compliance Committee delivers a summary of its activities and findings directly to our CEO, the Audit Committee, and our full Board. Our Board relies on our Audit Committee to address significant financial risk exposures facing our company and the steps management has taken to monitor, control and report such exposures, with appropriate reporting of these risks to be made to the full Board. Our Board relies on our Compensation and Human Resources Committee to address significant risk exposures facing our company with respect to compensation programs and incentives, also with appropriate reporting of these risks to be made to the full Board. Our Board's role in our company's risk oversight has not affected our leadership structure.

Executive Sessions

The Board will have at least four regularly scheduled meetings per year at which the non-employee directors will meet in executive session without members of our management being present, and at least one regularly scheduled meeting per year at which the independent directors will meet in executive session without members of management or other directors present. The non-employee directors may also meet without management present at such other times as they determine appropriate. Members of the Company's senior executive management who are not members of the Board will participate in Board meetings to present information, make recommendations, and be available for direct interaction with members of the Board.

Communications with the Board

Shareholders and other interested parties may communicate with the full Board, the Chairman of the Board, non-management directors as a group or individual directors, including the Presiding Director, by delivering a written communication to Regal Beloit Corporation, Attention: Board of Directors, 200 State Street, Beloit, Wisconsin 53511, or by sending an e-mail communication to board.inquiry@regalbeloit.com. The communications should be addressed to the specific director or directors whom the shareholder or interested party wishes to contact and should specify the subject matter of the communication. The Company's Secretary will deliver appropriate communication directly to the director or directors to whom it is addressed. The Secretary will generally not forward to the director or directors communication that he determines to be primarily commercial in nature or concerns our day-to-day business activities, or that requests general information about the Company.

Concerns about accounting or auditing matters or possible violations of the Regal Beloit Corporation Code of Business Conduct and Ethics should be reported pursuant to the procedures outlined in the Code of Business Conduct and Ethics and in our policy regarding Reporting Ethical, Legal and Accounting Concerns, both of which are available on our website at www.regalbeloit.com.

Committees

We have standing Audit, Compensation and Human Resources, and Corporate Governance and Director Affairs Committees of the Board. Each committee is appointed by and reports to the Board. The Board has adopted, and may amend from time to time, a written charter for each of the Audit, Compensation and Human Resources, and Corporate Governance and Director Affairs Committees. We make copies of each of these charters available free of charge on our website at www.regalbeloit.com.

Audit Committee. The Audit Committee consists of Messrs. Stoelting (Chairperson), Burt and Fischer. Each of the members of the committee is independent as defined by the NYSE listing standards and the rules of the Securities and Exchange Commission (the “SEC”). The Board has determined that each of Messrs. Burt, Fischer and Stoelting qualifies as an “audit committee financial expert” as defined in SEC rules and meets the expertise requirements for audit committee members under the NYSE listing standards. The principal functions performed by the Audit Committee, which met five times in person in 2012, are to assist the Board in monitoring the overall quality of the Company’s financial statements and financial reporting, the independent auditor’s qualifications and independence, our accounting controls and policies, the performance of our internal audit function and independent auditors, and our compliance with legal and regulatory requirements. The Audit Committee has the sole authority to appoint, retain, compensate and terminate our independent auditors and to approve the compensation paid to the independent auditors. The Audit Committee has presented to shareholders for ratification at the Annual Meeting its selection of independent auditors for 2013. See “Proposal 4: Ratification of Deloitte & Touche LLP as the Company’s Independent Auditors for 2013.”

One member of the Audit Committee, Mr. Fischer, serves on the audit committees of three other public companies. On January 27, 2013, the Board of Directors considered what it believes to be all of the relevant facts and responsibilities relating to such simultaneous service by Mr. Fischer and affirmatively determined that the simultaneous service would not impair Mr. Fischer’s ability to serve effectively on our Audit Committee.

Compensation and Human Resources Committee. The Compensation and Human Resources Committee consists of Messrs. Foate (Chairperson) and Fischer and Ms. Skornicka. Each of the members of the Compensation and Human Resources Committee is independent as defined by the NYSE listing standards. The principal functions of the Compensation and Human Resources Committee, which met five times in 2012, are to help develop our overall compensation philosophy; administer our incentive compensation plans (including our equity incentive plans); determine and approve the compensation of the Chief Executive Officer and the other principal corporate officers; review and monitor succession and leadership development planning; and review, formulate, recommend and administer short- and long-range compensation programs for the principal corporate officers and key employees. A more complete description of our Compensation and Human Resources Committee’s practices can be found in the Compensation Discussion and Analysis section of this Proxy Statement. The Compensation and Human Resources Committee from time to time uses independent compensation consultants to assist the Committee in the performance of its responsibilities. After selecting an independent compensation consultant, the Committee periodically meets with that consultant throughout the year at such times as the Committee deems appropriate, and receives reports and advice from the consultant on matters of executive compensation. In 2012, the Committee selected Towers Watson & Co to serve as its independent compensation consultant. The Committee also engaged Stern Stewart & Co. in 2012 to assist with the setting of goals under our Shareholder Value Added (SVA) Plan. Neither Towers Watson nor Stern Stewart & Co. perform any other services for us or our named executive officers other than the services provided at the direction of the Committee.

Corporate Governance and Director Affairs Committee. The Corporate Governance and Director Affairs Committee consists of Messrs. Sachdev (Chairperson) and Burt and Ms. Skornicka. Each of the members of the Corporate Governance and Director Affairs Committee is independent as defined by the NYSE listing standards. The principal functions of the Corporate Governance and Director Affairs Committee, which met five times in 2012, are to develop and recommend to the Board a set of corporate governance principles applicable to our company, including matters of Board organization, membership, compensation, independence and function, and committee structure and membership; take a leadership role in shaping our corporate governance; identify directors qualified to serve on the committees established by the Board; and to recommend to the Board the members and the chairperson for each committee to be filled by the Board. This Committee also serves as the nominating committee of the Board and is responsible for identifying individuals qualified to become directors (consistent with the criteria approved by the Board) and to recommend candidates for all directorships to be filled by the Board or by our shareholders.

Nominations of Directors

The Corporate Governance and Director Affairs Committee will consider persons recommended by shareholders to become nominees for election as directors in accordance with the criteria set forth in the Corporate Governance Guidelines under the heading “Director’s Qualifications.” The Corporate Governance and Director Affairs Committee will only review recommendations for director nominees from any shareholder or group of shareholders beneficially owning in the aggregate at least 5% of the issued and outstanding shares of our common stock for at least one year as of the date that the recommendation is made. Recommendations with respect to the 2014 annual meeting of shareholders must be submitted by November 29, 2013 for the recommendation to be considered by the Corporate Governance and Director Affairs Committee.

In identifying and evaluating nominees for director, the Corporate Governance and Director Affairs Committee believes that all directors should be financially literate and must be committed to understanding the Company and its industry, and must also possess the highest personal and professional ethics, integrity and values, and commitment to representing the long-term interest of the shareholders. Directors must also possess a diverse set of skills and experience with a background in areas that are relevant to our activities. Directors should also be inquisitive and have an objective perspective, a practical wisdom and mature judgment. Directors must be willing and able to devote whatever time is necessary to carry out their duties and responsibilities effectively. Directors will not be nominated unless they are willing to serve for an extended period of time.

While the Corporate Governance and Director Affairs Committee does not have a formal policy relating specifically to the consideration of diversity in its process to select and evaluate director nominees, the Committee does consider diversity of viewpoint, background, industry knowledge and perspectives, as well as ethnic and gender diversity, as part of its overall evaluation of candidates for director nominees. Specifically, our criteria for director nominees, included as Appendix A to our Corporate Governance Guidelines, provide that directors should be selected so that our Board represents diverse backgrounds and perspectives.

For a timely recommendation submitted by a shareholder to be considered by the Corporate Governance and Director Affairs Committee, the candidate recommended by a shareholder must be “independent” as defined in the NYSE independence standards and the SEC regulations, and meet the minimum expectations for a director set forth in the Company’s Corporate Governance Guidelines. The Corporate Governance and Director Affairs Committee will have sole discretion whether to nominate an individual recommended by a shareholder. As to any candidate identified by the Corporate Governance and Director Affairs Committee to become a nominee, the candidate must possess the requisite qualifications, although the Corporate Governance and Director Affairs Committee need not require such nominee to be independent. Nevertheless, we strive to have all directors, other than those directors who are members of our management, be independent as defined by the NYSE independence standards and the SEC regulations.

Policies and Procedures Regarding Related Person Transactions

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

- a “related person” means any of our directors, executive officers, nominees for director or greater than 5% shareholder, and any of their immediate family members, as well as any entity in which any of these persons is employed or is a partner or principal or in a similar position or in which such person has a 5% or greater beneficial ownership interest; and
- a “related person transaction” generally is a transaction in which we were or are to be a participant and the amount involved exceeds $120,000, and in which any related person had or will have a direct or indirect interest.

The related person, the director, executive officer, nominee or beneficial owner who is an immediate family member of a related person, or a business unit or function/department leader of the Company responsible for a proposed related person transaction must notify our General Counsel of certain information relating to proposed related person transactions. If our General Counsel determines that a proposed transaction is a related person transaction subject to the policy, then he will submit the transaction to the Corporate Governance and Director Affairs Committee for consideration at the next committee meeting or, if expedited consideration is required, to the committee chairperson. The committee or chairperson, as applicable, will consider all of the relevant facts and circumstances available regarding the proposed related person transaction and will approve only those related person transactions that are in, or are not inconsistent with, the best interests of our company and our shareholders. The chairperson is required to report to the committee at the next committee meeting any approval granted under the policy.

The policy also provides for ongoing review by the General Counsel of any amounts paid or payable to, or received or receivable from, any related person. Additionally, at least annually, the Corporate Governance and Director Affairs Committee is required to review any previously approved or ratified related person transactions that remain ongoing and have a remaining term of more than six months or remaining amounts payable to or receivable from us of more than $60,000. Based on all relevant facts and circumstances, the committee will determine if it is in the best interests of our company and our shareholders to continue, modify or terminate the related person transaction.

If any of our Chief Executive Officer, Chief Financial Officer or General Counsel becomes aware of a pending or ongoing related person transaction that has not been previously approved or ratified under the policy, then the transaction must be disclosed to the Corporate Governance and Director Affairs Committee or its chairperson. The committee or the chairperson must then determine whether to ratify, amend or terminate the related person transaction, or take any other appropriate action. If the related person transaction is complete, then the committee or its chairperson will evaluate the transaction to determine if rescission of the transaction and/or any disciplinary action is appropriate.

In 2012, there were no proposed, pending or ongoing related person transactions subject to review by the Corporate Governance and Director Affairs Committee under the policy.

Meetings and Attendance

The Board held four quarterly meetings in 2012. Each director attended at least 75% of the aggregate of (a) the total number of meetings of the Board and (b) the total number of meetings held by all committees of the Board on which the director served during 2012, in each case during the period in which the director was serving on the Board or the applicable committee.

Directors are expected to attend our annual meeting of shareholders each year. All of our directors attended the 2012 annual meeting.

STOCK OWNERSHIP

Management

The following table sets forth information, as of March 11, 2013, regarding beneficial ownership of our common stock by each director and nominee, each of our current named executive officers as set forth in the Summary Compensation Table, and all of the directors and current executive officers as a group. As of March 11, 2013, no director or executive officer beneficially owned one percent or more of our common stock. On that date, the directors and executive officers as a group beneficially owned 1.67% of our common stock. Except as otherwise indicated in the footnotes, all of the persons listed below have sole voting and investment power over the shares of our common stock identified as beneficially owned.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)(2)(3)(4)
Stephen M. Burt	5,410
Terry R. Colvin	55,710
Christopher L. Doerr	32,485
Thomas J. Fischer	12,135
Dean A. Foate	17,810
Mark J. Gliebe	281,903
Charles A. Hinrichs	19,718
Henry W. Knueppel	202,215
Rakesh Sachdev.	14,410
Jonathan J. Schlemmer	55,958
Carol N. Skornicka.	11,430
Curtis W. Stoelting.	30,410
Peter C. Underwood	14,559
All directors and executive officers as a group (13 persons)	754,153

(1) Includes shares subject to currently exercisable rights to acquire common stock and options exercisable within 60 days of March 11, 2013 as follows: Mr. Colvin, 46,400 shares; Mr. Doerr, 20,000 shares; Mr. Gliebe, 209,500 shares; Mr. Hinrichs, 8,000 shares; Mr. Sachdev, 7,000 shares; Mr Schlemmer, 43,000 shares; Mr. Stoelting, 13,000 shares; Mr. Underwood 6,400 shares; and all directors and executive officers as a group, 353,300 shares. Also includes shares of restricted stock or restricted stock units that are subject to forfeiture until they vest on the third anniversary of the date of grant as follows: Mr. Burt 4,910 shares; Mr. Colvin, 5,325 shares; Mr. Doerr, 5,410 shares; Mr. Fischer, 5,410 shares; Mr. Foate, 5,410 shares; Mr. Gliebe, 43,200 shares; Mr. Hinrichs, 11,718 shares; Mr. Knueppel 1,810 shares; Mr. Sachdev, 5,410 shares; Mr. Schlemmer, 8,400 shares; Ms. Skornicka, 5,410 shares; Mr. Stoelting, 5,410 shares; and Mr. Underwood, 8,159 shares.

(2) The amount shown for Mr. Knueppel includes 12,522 shares that are held in a non-Company sponsored individual retirement account. The amount shown for Mr. Knueppel also includes 187,883 shares held in a trust account.

(3) The amount shown for Mr. Stoelting includes 8,800 shares held in the Curtis W. Stoelting 1994 Revocable Trust over which Mr. Stoelting retains sole voting and investment power during his lifetime.

(4) Amounts shown for Messrs. Colvin, Gliebe and Schlemmer include 1,283 shares, 762 shares and 849 shares, respectively, held in trust under the Company’s 401(k) plans.

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Other Beneficial Owners

The following table sets forth information, as of December 31, 2012, regarding beneficial ownership by the only persons known to us to own more than 5% of our outstanding common stock. The beneficial ownership information set forth below has been reported on filings made on Schedule 13G with the SEC by the beneficial owners.

	Amount and Nature of Beneficial Ownership					
	Voting Power		Investment Power			
Name and Address of Beneficial Owner	Sole	Shared	Sole	Shared	Aggregate	Percent of Class
FMR LLC 82 Devonshire Street Boston, MA 02109	1,022,711	0	6,030,699	0	6,030,699	13.5%
JPMorgan Chase & Co. 270 Park Avenue New York, NY 10017	2,789,436	106,157	2,836,423	106,437	2,957,121	6.6%
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	2,540,091	0	2,540,091	0	2,540,091	5.7%

COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

Regal Beloit Corporation ("we" or the "Company") is a global technology and manufacturing leader in electric motors, electric generators and controls, and mechanical motion control products for commercial, industrial, and residential applications. We sell our products to a diverse global customer base using multiple recognized brand names, through a multi-channel distribution model, to leading original equipment manufacturers, distributors and end users across many markets.

Our overall compensation philosophy is to offer the opportunity for our management team to earn competitive pay, with total compensation having a direct connection to our financial performance and the creation of shareholder value. We believe this to be a conservative approach to executive compensation.

Our compensation philosophy dictates that a significant portion of our executives' total potential compensation must depend upon the Company's performance. To that end, the total compensation of our named executive officers includes a significant portion—approximately 65%, on average —that is "at risk" because the value of such compensation is determined based on the achievement of specified results. Approximately half of our named executive officers' total compensation is, on average, in the form of equity-based awards (stock appreciation rights and restricted stock units), which will decline in value (or have no value) if our stock price declines. Another 15%, on average, of our named executive officers' total compensation is based on improvements in our Company's operating performance as measured by our Shareholder Value Added ("SVA") Cash Incentive Plan. We believe that by tying a large majority of our named executive officers' total potential compensation to creation of long-term shareholder value, we create a close alignment between the interests of our executive officers and the interests of our shareholders.

How was corporate performance and the creation of shareholder value reflected in 2012 compensation?

Executive compensation in 2012 aligned well with the objectives of our compensation philosophy and with our corporate performance. Our company's operating performance in 2012 was strong despite continued uncertainty in the global economy generally and our markets in particular. In 2012, we had record levels of net revenues and, excluding the effect of restructuring costs, record operating profit and net income. We paid our 210th consecutive quarterly dividend and increased the dividend again in 2012. Our total shareholder return for the fiscal year ended December 29, 2012 was 36.3%.

(dollars in millions except per share data)	2011	2012	Percent Change
Net Revenues	$2,808	$3,167	12.8%
Operating Profit	$ 256	$ 313	22.3%
Stock Price per Share	$50.97	$68.72	34.8%

These operating results led to annual cash incentives earned in 2012 at 84% of target, compared to 144% in 2011. As described in more detail below under "What are the elements of total compensation? – SVA Annual Cash Incentives," we use a shareholder-approved Shareholder Value Added ("SVA") Plan, which we refer to as our SVA Cash Incentive Plan, to determine annual cash incentives for our executive officers. SVA attempts to approximate the value executives add to our company above our cost of capital, and is calculated by subtracting a cost of capital charge for the average net capital employed from the net operating profit after tax that our company generates during the year. We pay fully all annual cash incentives earned up to 100% of the target amount in cash following the end of the year in accordance with the SVA Cash Incentive Plan. Annual cash incentive amounts earned above 100% of the target amount are deferred and are paid in installments, with one-third of the above-target amount being paid to the participant in cash after the end of each of the following three years.

We believe our compensation of our named executive officers aligns well with our performance, but we also believe that this alignment is not always reflected in the Summary Compensation Table in the same way we view the alignment for our internal purposes. This is because the Summary Compensation Table values are required to include the full grant date fair value of equity awards in the year the awards are granted. The grant date fair value is an accounting value that projects the potential value of awards based on assumptions about, among other things, certain future events. The grant date fair value is different from the economic value of the awards to our named executive officers, which may be lower or higher than the grant date fair value depending on the price of our common stock. For this reason, we are including in this proxy statement, as a supplement to the required Summary Compensation Table, a comparison of our named executive officers' realizable pay for 2012 with their total compensation as shown in the Summary Compensation Table.

Name and Principal Position	Summary Compensation Table Total Compensation ($)	Total Realizable Compensation ($)
Mark J. Gliebe Chairman and Chief Executive Officer	6,669,738	5,053,144
Charles A. Hinrichs Vice President and Chief Financial Officer	1,494,049	1,087,148
Jonathan J. Schlemmer Chief Operating Officer	1,715,042	1,291,968
Peter C. Underwood Vice President, General Counsel and Secretary	1,156,070	863,927
Terry R. Colvin Vice President, Corporate Human Resources	789,079	656,126

The realizable pay disclosure in the table above is the same as the compensation shown in the Summary Compensation Table except that it values equity-based compensation based on the price of our common stock at year end. Restricted stock and restricted stock units are valued as the product of the number of shares granted to the officer during the year multiplied by the year-end stock price, assuming for purposes of this disclosure that the grants were vested. Stock appreciation rights are valued as the product of the number of rights granted to the officer during the year multiplied by the excess, if any, of the year-end stock price over the grant price of the rights, assuming for purposes of this disclosure that the grants were vested.

To illustrate how the compensation of our CEO has aligned with our total shareholder return, we are also including the following supplemental graph, which compares our total shareholder return with our CEO's compensation (as shown in the Summary Compensation Table and on a realizable basis as described above) over our fiscal years 2010 through 2012:

For 2010, the values in the chart above relate to the compensation of Henry W. Knueppel, who served as our Chairman and Chief Executive Officer during that year. For 2011 and 2012, the values in the chart relate to the compensation of Mark J. Gliebe, who served as our President and Chief Operating Officer until May 2, 2011, became our President and Chief Executive Officer effective May 2, 2011 and was elected Chairman of the Board effective January 2, 2012.

What specific actions did the Company take with respect to compensation for 2012 and 2013?

Some of the key actions and decisions with respect to our executive compensation programs for 2012 and 2013 as approved by the Compensation and Human Resources Committee ("Committee") of our Board of Directors with counsel from its principal independent compensation consultant, Towers Watson & Co. ("Towers Watson"), are highlighted below:

- Approved a new 2013 Equity Incentive Plan ("2013 Plan"), subject to shareholder approval at the Annual Meeting, that includes the following features:
- Awards made under the 2013 Plan will be subject to "double-trigger" vesting in a change of control transaction, which means:
- If the surviving entity in the transaction agrees to assume the awards, vesting will continue and be accelerated only upon a termination of employment without cause or for good reason.
- If awards are not assumed, then vesting accelerates and performance awards pay out at the higher of trend or target.
- A change of control will be defined in the Plan so that shareholder approval of a change of control transaction will not be treated as a change of control; instead, consummation of the transaction would be required.

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- No “gross-up” for excise taxes on golden parachute payments.
- Awards are subject to forfeiture if the award recipient competes with us or discloses confidential information or if, after the recipient’s termination from employment, the recipient solicits our customers or employees or takes other actions contrary to our interests.
- Awards granted under the 2013 Plan are subject to any applicable clawback policy (to the extent contemplated by such policy).
- Discontinued our former practice of paying the income taxes owed by certain named executive officers on income imputed to them as a result of business flights on which their spouses accompanied the executive officers, as described below under “What perquisites do we provide?”
- Assessed the competitiveness of our overall compensation and benefits programs for our officers.
- Engaged and directed Stern Stewart & Co. to benchmark and provide the Committee with guidance in setting target annual cash incentive amounts under our SVA Cash Incentive Plan for 2012 and in determining the annual improvement factor and leverage factor used to establish the SVA performance target for 2012 under our SVA Cash Incentive Plan.
- Reviewed the performance of our CEO (independent of input from him) and recommended to the independent members of the Board the total compensation for the CEO based on competitive levels, as determined in consultation with Towers Watson, consistent with our philosophy, as measured against our peer group.
- Reviewed the performance of our other executive officers with assistance from our CEO and recommended to the independent members of the Board the total compensation for each individual officer based on competitive levels, as determined in consultation with our CEO and Towers Watson, consistent with our philosophy, as measured against our peer group.
- Maintained the practice of holding executive sessions (without management present) at every Committee meeting, including executive sessions in which our independent compensation consultants participated.
- As described in below under “What are the elements of total compensation? – Changes to Long-Term Compensation for 2013,” following a detailed review of the use of performance shares among general industry companies and our peer group, determined to add performance shares to our long-term incentive mix in 2013. The performance shares will be added by modifying the overall long-term incentive mix from its current form of 60% stock appreciation rights and 40% restricted stock units to a mix of 40% stock appreciation rights, 40% restricted stock units and 20% performance shares. The performance shares will have a three-year performance period and be earned or forfeited based on a performance metric of total shareholder return relative to our peer group.

In May 2012 (after the 2012 executive compensation actions described in this Compensation Discussion and Analysis had taken place), we held our annual advisory shareholder vote on the compensation of our named executive officers at our annual shareholders’ meeting, and, consistent with the recommendation of the Board, our shareholders approved our executive compensation, with more than 95% of votes cast in favor. Consistent with this strong vote of shareholder approval, we have not undertaken any material changes to our executive compensation programs in response to the outcome of the vote.

What other compensation policies and practices reflect our compensation philosophy?

We periodically review best practices in the area of executive compensation and update our compensation policies and practices to reflect those that we believe are appropriate for our company, including the following:

- We pay for performance, providing our executives the opportunity to earn above-median pay (as measured against selected peer groups) for performance that creates shareholder value by generating increasing returns as compared to our cost of capital, but compensating below the median level for corporate performance that fails to generate those levels of returns.
- We set compensation programs to focus our named executive officers on both our short and long-term company performance. Their compensation includes a significant portion—approximately 65%, on average—that is "at risk" because the value of such compensation is determined based on the achievement of specified results. If short-term and long-term financial goals are not achieved, then performance-related compensation will decrease. If goals are exceeded, then performance-related compensation will increase.
- We measure the competitiveness of our executive pay against an appropriate peer group focusing on multinational companies with comparable revenues (ranging from approximately 0.5 to 2.0 times our annual revenues and with an overall median annual revenue approximately equal to our annual revenue) and that compete in industries similar to ours and/or have the level of complexity and business model similar to ours.
- We have eliminated tax gross-ups from all new change in control and termination agreements that we have entered into with our executive officers since 2010.
- We maintain stock ownership requirements for certain executives, including our named executive officers.
- We have no employment agreements with any of our named executive officers that provide severance benefits prior to a change in control of our company.
- All of our change in control agreements contain "double trigger" provisions, which means that, for an executive officer to receive severance benefits under the agreement, in addition to the change in control there must be some adverse change in the circumstances of the executive officer's employment.
- Our equity compensation plan does not permit repricing of stock options.
- We periodically review our pay practices to ensure that they do not encourage excessive risk taking.
- We do not guarantee salary increases or bonuses for our executive officers.
- We offer only limited perquisites to our executive officers.
- We have in the past adjusted compensation as appropriate in challenging economic times, as exemplified by our temporary freeze of base salaries and our acceptance of voluntary temporary reductions in base salary from our CEO and Chief Operating Officer during the 2009 recession.

What is our company's general compensation philosophy?

We recognize the importance of maintaining sound principles for the development and administration of our compensation and benefit programs. Our overall compensation philosophy is to offer the opportunity for our management team to earn competitive pay, with total compensation having a direct connection to our financial performance and the creation of shareholder value. The Committee is responsible for making executive compensation decisions and recommendations regarding program design and individual pay. Our executive compensation programs are designed to advance principles that we have identified as being core to the function of executive compensation. These principles are:

- Attract and Retain Quality People — We provide the opportunity for executives to be compensated at competitive levels to ensure we attract and retain a highly competent and committed management team.
- Pay for Creation of Value — We provide our executives the opportunity to earn above-median pay (as measured against our peer group) for performance that creates long-term shareholder value. We believe that we generate long-term shareholder value by increasing our returns as compared to our cost of capital, and through long-term appreciation in our stock price. We link our executives' compensation to this creation of long-term shareholder value by (i) providing incentives through our SVA Cash Incentive Plan to increase returns over our cost of capital, and (ii) providing equity-based awards that increase in value only if our stock price appreciates in the long term (including, beginning in 2013, a portion of those awards that will only have value if the company meets certain relative total shareholder return goals for the performance period).
- Alignment through Equity Ownership — We ensure that executives' long-term interests are further aligned with shareholders' interests by maintaining stock ownership requirements generally for senior levels of management, including all of our named executive officers.

We believe that a focus on these principles will benefit our shareholders in the long-term by assuring that we can attract and retain highly qualified executives who are committed to our long-term success and the creation of shareholder value.

How do we set executive compensation?

Our Board, our Committee and our CEO each play a role in setting the compensation of our named executive officers, with the exception that our CEO is not involved in setting his own compensation. Our Board appoints the members of the Committee, which consists entirely of independent directors who are "outside directors" for purposes of Section 162(m) of the Internal Revenue Code and "non-employee directors" for purposes of the Securities Exchange Act of 1934. The current members of the Committee are Messrs. Foate (Chairman) and Fischer and Ms. Skornicka. The Committee is responsible for determining the components of our executive compensation program, consistent with the compensation philosophy determined by our Board, and the executive compensation packages offered to our named executive officers. The Committee administers our SVA Cash Incentive Plan and our long-term equity incentive plans and makes awards under the plans.

The Committee reviews data from market surveys, proxy statements of companies it considers our peers and independent compensation consultants to assess our competitive position with respect to total executive compensation, including annual compensation, benefits and perquisites. In reviewing data with respect to annual compensation, the Committee assesses the following components of executive compensation:

- Base salary;
- Annual cash incentives;
- Long-term incentive compensation; and
- Any other benefits and perquisites.

As described below under "What are the elements of total compensation?", the Committee takes various factors into account in setting compensation levels and does not use a formulaic approach, but generally seeks to offer approximately median levels of all compensation elements over time as measured against our selected peer group. In its decision-making process, the Committee receives and considers the recommendations of our CEO with respect to compensation to be paid to our executive officers other than himself. Our CEO makes no recommendation with respect to his own compensation.

Based on the foregoing information, the Committee reviews and makes determinations concerning our compensation and benefit programs, with the objective of making our executive compensation and benefit programs consistent with our overall compensation philosophy. The Committee makes decisions regarding adjustments to base salaries, annual cash incentives and long-term incentives all concurrent with the assessment of the executives' individual performance for the year.

The Committee periodically solicits proposals from a variety of independent compensation consultants to assist the Committee in the performance of its responsibilities. As part of its evaluation of potential compensation consultants, the Committee considers all factors relevant to the consultant's independence from management and potential conflicts of interest in accordance with applicable SEC rules and New York Stock Exchange listing standards. After selecting an independent compensation consultant, the Committee periodically meets with that consultant throughout the year at such times as the Committee deems appropriate, and receives reports and advice from the consultant on matters of executive compensation. Our CEO has access to the independent compensation consultant only at the direction of the Committee.

Towers Watson served as the Committee's independent compensation consultant for 2012. Subsequent to Towers Watson's initial appointment, following the publication of SEC rules and proposed New York Stock Exchange listing standards regarding the independence of compensation committee advisors, the Committee reviewed the independence of Towers Watson and the individual representatives of Towers Watson who served as the Committee' consultants in light of the new requirements, considering the following specific factors: (1) other services provided to us by Towers Watson; (2) fees paid by the company to Towers Watson as a percentage of Towers Watson's total revenue; (3) policies and procedures maintained by Towers Watson that are designed to prevent a conflict of interest; (4) any business or personal relationships between the individual representatives and any member of the Committee; (5) any company stock owned by the individual representatives; and (6) any business or personal relationships between our executive officers and Towers Watson or the individual representatives. The Committee also re-engaged Stern Stewart & Co. in 2012 to assist with the setting of goals under our SVA Cash Incentive Plan.

The Committee concluded, based on the evaluation described in the preceding paragraph, that both Towers Watson and Stern Stewart & Co. were independent and that no conflict of interest was raised by the services performed by Towers Watson or Stern Stewart & Co. Neither Towers Watson nor Stern Stewart & Co. perform any services for our company other than the services provided at the direction of the Committee.

In setting compensation for 2012, the Committee directed Towers Watson to assemble compensation data for our named executive officers and compare the data against aggregated data for persons holding similarly-situated positions in our peer group. The Committee had previously updated our peer group in late 2011, selecting the twenty-one companies in the peer group believed to be comparable to our company by generally using the following criteria:

- Comparable revenue (we follow suggested best practices by reviewing approximately fifteen to twenty companies with annual revenues ranging from approximately 0.5 to 2.0 times our annual revenues and with an overall median annual revenue approximately equal to our annual revenue); and
- Compete in an industry similar to ours and/or have the level of complexity and business model similar to ours.

The twenty-one companies in our peer group were:

AMETEK, Inc.	BorgWarner Inc.	Cooper Industries
Dresser-Rand Group Inc.	Exide Technologies	Flowserve Corp.
Gardner Denver Inc.	Hubbell Incorporated	IDEX Corporation
Kennametal Inc.	Leggett & Platt, Inc.	Lennox International
Lincoln Electric Holdings Inc.	Owens Corning	Pentair Inc.
Roper Industries Inc.	Snap-On Incorporated	SPX Corporation
The Timken Co.	The Valspar Corporation	Thomas & Betts Corp.

Towers Watson benchmarked compensation data using (i) a company-by-company peer group analysis of our peer group based on proxy statement data, (ii) a company-by-company peer group analysis of a subset of nine peer group companies who participated in Equilar's Top 25 Management Survey, and (iii) general industry data from a recognized national compensation survey, which data did not include the identities of the individual participating companies in the surveys.

The nine companies in the peer group who participated in Equilar's Top 25 Management Survey were the following:

Cooper Industries	Flowserve Corp.	Hubbell Incorporated
IDEX Corporation	Lennox International	Pentair Inc.
Snap-On Incorporated	SPX Corporation	Thomas & Betts Corp.

In reviewing and analyzing these data, Towers Watson considered information for each named executive officer position with respect to the following elements of compensation:

- Base salary;
- Target SVA annual cash incentive;
- Target total cash compensation (salary and actual annual cash incentive);
- Long-term incentives; and
- Target total direct compensation (sum of target cash and long-term incentives).

In keeping with the Committee's instructions, Towers Watson summarized the variance from the median of all three of the benchmarks and provided benchmarking statistics that reflected comparative compensation levels at the twenty-fifth (25^{th}), fiftieth (50^{th}) and seventy-fifth (75^{th}) percentiles of the companies included in the foregoing analysis. Towers Watson reported on the methodology that it used in its analysis, a summary of its findings, and its general views relating to market trends in executive compensation.

In 2010, the Committee also reviewed peer group data relating to supplemental benefits and perquisites as part of its triennial review of such benefits and perquisites provided to our executive officers and, based on this review, made the changes described below under "What other benefits do we provide to our executives?" The Committee intends to conduct a full review of the composition of this comparison group on a three-year cycle or more frequently if a significant change should occur in the scale of our company or participants in the peer group through, for example, mergers, acquisitions or other extraordinary corporate transactions.

How do we determine total compensation?

Consistent with our overall compensation philosophy, we tie total compensation directly to our corporate performance and structure it to ensure that there is an appropriate balance between our long-term and short-term corporate performance, and between the individual performance of our executive officers and the creation of shareholder value. We benchmark the individual elements of total compensation in comparison to our peer group and do not separately target total compensation at a specified percentile of our peer group. Based on the Committee's analysis and the advice of Towers Watson, however, we believe that the compensation we paid our named executive officers was reasonable in its totality as compared to our peer group and is consistent with our compensation philosophies.

What are the elements of total compensation?

We achieve our executive compensation objectives through the following ongoing programs. All of our named executive officers participate in these programs. A more detailed discussion of each program is provided below in this Compensation Discussion and Analysis.

Program	Description	Participants	Objectives
Annual Cash Compensation			
Base Salary	Annual cash compensation	All employees	Retention Competitive Practices Drive superior performance • Individual contribution
Shareholder Value Added (SVA) Annual Cash Incentive	Annual cash incentive with target awards established at each employee level Payments can be higher (subject to a 200% cap) or lower than target, based on business unit and total company annual results Incentive amounts earned above target are deferred and remain subject to forfeiture until they are paid; payment occurs in three equal annual installments beginning in the second year following the performance period	All executive officers and key managers	Drive superior performance • Across total company • Across business units Competitive Practices Retention
Long-Term Incentive Programs			

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Program	Description	Participants	Objectives
Long-Term Incentive (LTI) Equity Awards	Long-term incentive awards paid in Stock Appreciation Rights and Restricted Stock Units (and, beginning in 2013, Performance Shares); grant amounts vary to reflect individual contribution	All executive officers and key managers	Drive superior performance • Individual contribution • Increase stock price Focus on long-term success Ownership Retention
Retirement Programs			
Retirement (401(k)) Savings Plan	Company matching and annual contributions	All U.S. Employees	Retention Competitive Practices
Target Supplemental Retirement Plan	Retirement benefits for executives who have at least 10 years of service and work with us until the age of 58	Key Executives	Retention Competitive Practices
Other Executive Benefits			
Perquisites and Executive Benefits	Available to certain executives to assure protection of Company assets and/or focus on Company business with minimal disruption	Specific benefits are offered to different groups of executive officers based on business purpose	Retention Competitive Practices
Other Benefits	Medical, welfare and other benefits	All employees	Retention Competitive Practices

Base Salaries. We believe that the purpose of base salary is to provide a competitive fixed rate of pay, recognizing different levels of responsibilities within our company. We determine base salaries for our executives based upon job responsibilities, level of experience, individual performance and expectations with respect to contributions to our future performance as well as comparisons to the salaries of executives in similar positions as compared to our peer group. The Committee generally seeks to offer approximately median levels of base salary compensation as measured against our selected peer group. In setting the individual base salaries of our named executive officers based on the factors identified in the preceding sentence, the Committee generally considers salaries within a 15% range above or below the fiftieth (50th) percentile of peer group data to be at approximately the median level.

In April 2012, the Committee adjusted the base salaries of our named executive officers in accordance with the factors identified in the preceding paragraph. This resulted in increases in each case, due in large part to the increased size and scope of the company which necessitated changes in the company’s peer group and which in turn resulted in higher peer group median base salary levels. Effective as of April 1, 2012, the base salaries of our named executive officers were as follows:

Name	Base Salary ($)
Mark J. Gliebe Chief Executive Officer	925,000
Jonathan J. Schlemmer Chief Operating Officer	500,000
Charles A. Hinrichs Vice President and Chief Financial Officer	440,000
Peter C. Underwood Vice President, General Counsel and Secretary	364,000
Terry R. Colvin Vice President, Corporate Human Resources	315,000

As a result of these adjustments, Mr. Gliebe's salary for 2012 placed him 3% below the median relative to other CEOs in our peer group based on proxy statement data, and the salaries of Messrs. Hinrichs, Schlemmer, Underwood and Colvin for 2011 placed them 3%, 7% and 3% below, and 5% above, median, respectively, for salaries relative to similarly-situated persons in our peer group based on proxy statement data (with the exception of Mr. Colvin, whose data reflects survey data in the absence of comparable proxy benchmarks).

SVA Annual Cash Incentives. We have in effect a Shareholder Value Added (SVA) Plan ("SVA Cash Incentive Plan"), which was most recently approved by our shareholders in 2011 and is designed to promote the maximization of shareholder value over the long term. We chose SVA as the basis for annual cash incentives for the following reasons. First, we believe it is the corporate performance measure that is tied most directly, both theoretically and empirically, to the creation of shareholder value. Managing for higher SVA is, by definition, managing for long-term increasing shareholder value. Second, it is a framework developed for setting goals and measuring performance that rewards participants for both short and long-term results. Finally, by focusing on our financial performance as a function of invested capital, management is incented to make prudent investments in assets that are capable of providing strong returns. In summary, we believe that SVA, as we use it, best recognizes the value that members of our management team deliver to increase long-term shareholder value.

We intend the SVA Cash Incentive Plan to provide a competitive amount of compensation for the executive officers based on their individual participation levels when we achieve the SVA targets as approved by the Committee. The SVA Cash Incentive Plan provides annual cash incentive opportunities based on a comparison of actual annual SVA to target SVA for the year in question. Performance above target SVA earns an annual cash incentive greater than the target annual cash incentive, while performance below target SVA earns an annual cash incentive less than the target annual cash incentive or no annual cash incentive at all. In years of strong corporate performance, the annual cash incentive amount that an executive can earn would be considered above the median level for our peer group, and the annual cash incentive amount that an executive can earn would be below the median level for our peer group in years when we are below the target. We have capped the maximum annual cash incentive that may be earned in any year at 200% of the target annual cash incentive established for that year. In addition, any annual cash incentive amounts earned above 100% of the target amount are deferred and are paid in installments over a three year period. Amounts earned under the SVA Cash Incentive Plan are also subject to our clawback policy, which would require recoupment of any amounts earned under the SVA Cash Incentive Plan on the basis of financial results that are subsequently subject to a restatement. To benchmark and determine target annual cash incentive amounts, and to determine an annual improvement factor and leverage factor that impacts the target annual cash incentive amount, the Committee retains nationally-recognized independent compensation consultants every three years, or more frequently as deemed necessary. The 2012 targets for the SVA Cash Incentive Plan were approved in January 2012 based on a formula established in 2010 with the assistance of Stern Stewart & Co.

SVA is a calculation that attempts to approximate the value executives add to our company above our cost of capital. SVA is calculated by subtracting a charge for the average net capital employed by us during a fiscal year from the net operating profit after tax that we earn during that same year. The cost of capital we use for this purpose is our

weighted average cost of capital, which is determined based on our cost of equity and our after-tax cost of debt. Pursuant to the terms of the SVA Cash Incentive Plan, all calculations of financial results for purposes of SVA exclude the impact of new acquisitions for the first 12 months following the closing of the acquisition. To encourage improved performance in accordance with the SVA Cash Incentive Plan, the Committee establishes an expected improvement factor that is used to set a target SVA amount. Once the Committee establishes the expected improvement factor, the SVA target amount for the year is set by formula. Under the formula, the new target set each year is calculated as follows:

$$\frac{\text{(Previous Year SVA Target + Previous Year SVA Actual)}}{2} + \text{Improvement Factor} = \text{New SVA Target}$$

In 2012, the Committee, with the assistance of Stern Stewart, conducted a tri-annual update to the improvement factor. As a result of this exercise, and in light of the volatility of the markets, the Committee set the improvement factor for 2012 at $5.0 million and determined to update it again in 2013. The Committee also reviewed the Company's cost of capital with the assistance of Stern Stewart and concluded that the cost of capital for purposes of the SVA calculation should be increased from 7.5% to 8.5% in 2012. Accordingly, with the improvement factor remaining at $5.0 million and the cost of capital increased to 8.5% for 2012, the SVA target was established by the formula at $59.3 million.

In addition to setting target SVA, the Committee also sets the target annual cash incentive percentage amount for each of our participating executive officers. This amount is based on a percentage of the base salary paid to the executive officers. For 2012, Messrs. Gliebe, Hinrichs, Schlemmer, Underwood and Colvin had target annual cash incentive percentage amounts of 100%, 55%, 65%, 50% and 40%, respectively, which, as applied to the base salary levels that took effect April 1, 2012, equated to target annual cash incentive amounts of $925,000, $242,000, $325,000, $182,000 and $126,000, respectively. The Committee, in consultation with Towers Watson and our CEO (other than with respect to his own compensation), set annual cash incentive targets under our SVA Cash Incentive Plan at the median level with respect to each respective position held by our executive officers relative to our peer group. As a result, our executives were given the opportunity to earn above-median annual cash incentive awards for generating improvements in our SVA while at the same time facing below-median awards (or no awards at all) for failing to meet that objective. The Committee believes that tying above-median incentives to generating increasing returns in excess of our cost of capital is a disciplined way to reward our named executive officers for creating shareholder value.

Based on our performance in 2012, we achieved actual SVA of $54.0 million, and the Committee therefore approved annual cash incentives for 2012 equal to 84% of the target annual cash incentive in accordance with the terms of the SVA Cash Incentive Plan. As a result, the Committee determined that Messrs. Gliebe, Hinrichs, Schlemmer, Underwood and Colvin earned annual cash incentives under the SVA Cash Incentive Plan of $775,520, $202,893, $272,480, $152,589 and $105,638, respectively.

We pay fully all annual cash incentives earned up to 100% of the target amount in cash following the end of the year in accordance with the SVA Cash Incentive Plan. Annual cash incentive amounts earned above the 100% of the target amount are deferred and are paid in installments, with one-third of the above-target amount being paid to the participant in cash after the end of each of the following three years, so long as the named executive officer's employment with us has not been voluntarily terminated (other than upon retirement) or terminated for cause. We do not credit participants with interest on amounts subject to payment in installments. For 2012, since the annual cash incentive performance value was approved at 84%, the entire incentive amount will be paid in 2013 and there will be no future installments.

Long-Term Compensation. We believe that equity-based compensation ensures that our executives have a continuing stake in the long-term success of our company and allows our executives to earn above-median compensation only if our shareholders experience appreciation in their equity holdings. The Committee granted stock appreciation rights, or SARs, and restricted stock units, or RSUs, to our named executive officers in fiscal year 2012.

Consistent with our overall compensation philosophy, the Committee, after consultation with Towers Watson, granted long-term compensation awards (namely, stock appreciation rights and restricted stock units) at levels approximating the median level of these awards granted by the companies in our peer group. On an individual level, the total fair value, as of the grant date, of the stock appreciation rights and restricted stock units granted to each of our named executive officers placed them at approximately the median level of the value of long-term compensation awards granted to persons holding similarly-situated positions by the companies in our peer group. We value stock appreciation rights using a Black-Scholes formula. In addition to the analysis undertaken against our peer group, the Committee also considered the number of awards granted to our officers as compared to grants to all of our other employees, but does not use a specific formula.

Other than in the case of newly hired executives, we generally make determinations concerning long-term equity-based awards in April of each year coincident with the completion of annual performance reviews. In any event, we grant all equity-based awards effective two days after the release of either our quarterly or annual company financial results.

Stock Appreciation Rights (SARs). The Committee granted stock appreciation rights to certain of our named executive officers in 2012 in the amounts indicated in the “Grants of Plan-Based Awards Table for Fiscal 2012” and the narrative following the table. The Committee set the base price per share of all of the stock appreciation rights that it granted in 2012 equal to the closing market price of our common stock on the date of grant so that the stock appreciation rights will have value only if the market price of our common stock increases after the grant date. In addition, the Committee made the stock appreciation rights subject to vesting over five years (with the SARs vesting 40% on the second anniversary of the grant date and 20% on each of the third, fourth and fifth anniversaries of the grant date) to provide additional incentive for our named executive officers to remain in our employment. The Committee granted stock appreciation rights rather than stock options because it views stock appreciation rights as less dilutive to our shareholders.

Restricted Stock Units (RSUs). The Committee awarded restricted stock units to each of our named executive officers in 2012 in the amounts indicated in the “Grants of Plan-Based Awards Table for Fiscal 2012” and the narrative following the table. A restricted stock unit gives the holder a right to have us issue a share of our common stock upon the conditions or date specified in the award. In addition to providing competitive compensation and an incentive to create shareholder value, these awards are intended to align management and shareholder interests as well as provide a retention incentive for the executive to remain employed by our company. The Committee determined the number of restricted stock units to grant to each of our executives consistent with our compensation philosophy. The Committee made the restricted stock units subject to forfeiture until the third anniversary of the grant date, at which time they cliff vest, to provide an additional incentive for our named executive officers to remain in our employment.

Changes to Long-Term Compensation for 2013. In 2012, following a detailed review of the use of performance shares among general industry companies and our peer group, the Committee determined to add performance shares to our long-term incentive mix in 2013. The performance shares will be added by modifying the overall long-term incentive mix from its current form of 60% stock appreciation rights and 40% restricted stock units to a mix of 40% stock appreciation rights, 40% restricted stock units and 20% performance shares. The performance shares will have a three-year performance period and will be earned or forfeited based on a performance metric of total shareholder return relative to our peer group. In 2013, the Committee granted performance shares under the 2013 Plan to certain key employees, including the named executive officers, subject to shareholder approval of the 2013 Plan. These performance share awards are set forth below in the proposal to approve the 2013 Plan under the heading “New Plan Benefits.”

What other benefits do we provide to our executives?

We have certain other plans that provide, or may provide, compensation and benefits to our named executive officers. These plans are principally our 401(k) Plan and our Target Supplemental Retirement Plan. We also provide life, medical and long-term disability insurance, and short-term disability benefits as part of our benefits package. The Committee considers all of these plans and benefits when reviewing total compensation of our executive officers.

401(k). In 2012, our named executive officers participated in our 401(k) plan that covers a group of eligible hourly and salaried employees. In 2012, salaried participants in the 401(k) plan, including Messrs. Gliebe, Hinrichs,

Schlemmer, Underwood and Colvin were eligible to contribute a portion of their compensation on a pre-tax basis, up to the limits imposed by the Internal Revenue Service, and we made a matching contribution equal to 100% of the first 1% and 50% of the next 5% of base salary contributed by the employees into their 401(k) accounts. We also contributed an additional 2% of Mr. Schlemmer's base salary to his account under our 401(k) plan pursuant to an arrangement established when the Marathon Electric Salaried Employees' Pension Plan, in which he participated, was frozen at the end of 2008.

Target Supplemental Retirement Plan and the Management Plan. The Target Supplemental Retirement Plan limits participants to officers and other key employees recommended by our CEO and approved by the Committee. All of our named executive officers currently participate in this plan. The Committee's intent in offering benefits under the Target Supplemental Retirement Plan is to provide a competitive retirement package to participants in the plan by extending retirement benefits without regard to statutory limitations under tax-qualified plans.

When the Target Supplemental Retirement Plan was approved by the independent members of the Board in January 1994, the benefit amounts were benchmarked against a group of then peer companies in consultation with a compensation consultant. The Committee periodically reviews these benchmarks to determine if they are still appropriate.

Prior to April 10, 2012, Mr. Schlemmer did not participate in the Target Supplemental Retirement Plan. Instead, he participated in the Supplemental Employee Retirement Plan for Salary Level 27 & 30 Employees, or the Management Plan, which is designed to provide a supplemental retirement income benefit for certain employees who were disadvantaged by the freezing of the Marathon Electric Salaried Employees' Pension Plan at the end of 2008. On April 10, 2012, the Committee approved the participation by Mr. Schlemmer in the Target Supplemental Retirement Plan. To reflect his earlier participation in the Management Plan, the monthly pension benefit payable to Mr. Schlemmer under the Target Supplemental Retirement Plan will be reduced by the amount payable to him under the Management Plan. This reduction is reflected in the terms of the Participation Agreement that Mr. Schlemmer executed in connection with his participation in the Target Supplemental Retirement Plan. For more information on the Target Supplemental Retirement Plan and the Management Plan, see the description under the heading "Retirement Benefits" below.

What perquisites do we provide?

We provided a modest level of personal benefits to named executive officers in 2012, as summarized below:

- Each of the executive officers had use of a company car for business and personal travel.
- Our executive officers are provided with enhanced short-term and long-term disability benefits compared with our other salaried employees. For salaried employees who are not executive officers, the short-term disability benefit provides up to six months of base salary replacement in an amount between 60% and 100% of the salaried employee's base salary depending on the salaried employee's credited years of service with our company. For our executive officers, base salary replacement is 100% regardless of credited years of service. For salaried employees who are not executive officers, the long-term disability benefit commences following six months of disability and provides a benefit of 60% of base salary (which base salary is capped at $300,000 for purposes of calculating the long-term disability benefit). For our executive officers, the same formula applies but there are no caps.
- We provide our executive officers with company-paid term life insurance. The premiums paid for each of our named executive officers for this life insurance in 2012 are included below in the "Summary Compensation Table for Fiscal Years 2010-2012" in the column entitled "All Other Compensation." We do not provide a tax gross up in connection with this benefit.
- We reimbursed one of our named executive officers for certain expenses incurred in connection with his relocation to our corporate headquarters and made him whole for the income taxes owed by him as a result of the reimbursements. The make-whole payment for income taxes owed as a result of the reimbursement totaled less than $1,500 for the officer.

- Prior to 2012, we had a practice of paying the income taxes owed by certain named executive officers on income imputed to them as a result of business flights on which their spouses accompanied the executive officers. In July 2012, the Committee discontinued this benefit, and no such payments were made to the named executive officers for flights in 2012.

How do we assure that compensation keeps our executives focused on long-term success?

Our long-term success depends on excellent financial and operational performance year after year. Therefore, to focus on both the short and long-term success of the Company, our named executive officers' compensation includes a significant portion—approximately 64%, on average—that is "at risk" because the value of such compensation is determined based on the achievement of specified results or subject to forfeiture. If short-term and long-term financial goals are not achieved, then performance-related compensation will decrease. If goals are exceeded, then performance-related compensation will increase.

In addition, compensation paid in the form of equity awards, such as RSUs, SARs and performance shares, instead of cash is at-risk because its value varies with changes in the stock price. By creating a total compensation package where a considerable percentage is paid in equity awards, our executive officers have a significant stake in the long-term success of the Company and gain financially along with our shareholders.

As shown in the following charts, in fiscal 2012, 63% of the CEO's total compensation and, on average, 65% of the other named executive officers' compensation was at-risk dependent on performance. Fifty-one percent (51%) of the CEO's total compensation and, on average, 51% of the other named executive officers' total compensation was paid in RSUs or SARs.

What are our executive stock ownership requirements?

To underscore the importance of linking executive compensation and shareholder interests, we have implemented stock ownership requirements for certain executives, including our named executive officers. Executives subject to these stock ownership requirements must own a certain dollar value amount of stock before they are permitted to sell shares (other than shares sold to pay option exercise prices or shares sold or surrendered to cover taxes). Executives who sell shares in violation of these requirements may be ineligible for future long-term incentive awards. The stock ownership policy requires our CEO to hold shares with a value five (5) times his base salary. For our Chief Operating Officer and Chief Financial Officer, the ownership threshold is three (3) times base salary and for all other executives the ownership threshold is one (1) times base salary.

What severance and change in control benefits do we provide?

We have no employment agreements with any of our named executive officers that provide benefits prior to a change in control of our company. However, we have entered into change in control and termination agreements with Messrs. Gliebe, Hinrichs, Schlemmer, Underwood and Colvin and, under our equity incentive plans, a change in control of our company may trigger potential benefits for all participants, including accelerated vesting of awards. For a detailed description of the material terms and conditions of these agreements and the change in control provisions of our equity incentive plans, see the “Potential Payments upon a Termination or Change in Control” section below.

The Committee believes the change in control and termination benefits that we provide our named executive officers under the change in control and termination agreements and our equity incentive plans are consistent with the Committee’s overall objective of building shareholder value and contain terms that are similar to those offered to executives of comparable companies. The purpose of the benefits is to focus our named executive officers on taking actions that are in the best interests of our shareholders without regard to whether such action may ultimately have an impact on their job security, and to avoid the loss of key managers that may occur in connection with an anticipated or actual change in control. The change in control benefits that we provide our executive officers fulfill these purposes by generally maintaining the executive officers’ expected current and long-term compensation for a specified period following the change in control, vesting awards granted prior to the change in control and, in the case of Messrs. Gliebe and Colvin, making the executive officers whole for certain excise taxes that may result from compensation paid and benefits provided in connection with the change in control and any related termination of employment. All of our change in control agreements contain “double trigger” provisions, which means that, for an executive officer to receive severance benefits under the agreement, in addition to the change in control there must be some adverse change in the circumstances of the executive officer’s employment. The Committee selected the triggering events for change in control and termination benefits to our named executive officers based on its judgment that these events were likely to result in the job security distractions and retention concerns described earlier in this paragraph. Other than the change in control and termination agreements, we have no formal severance program in place for our named executive officers.

In 2011 the Committee adopted a policy eliminating tax gross-ups from all new change in control and termination agreements that we enter into with our executive officers. This policy was applied to the change in control and termination agreements entered into with Messrs. Hinrichs and Underwood in 2010 and Mr. Schlemmer in 2011, as well as one additional executive officer who is not a named executive officer, which contain no tax gross-ups.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth for each of our named executive officers: (1) the dollar value of base salary and annual cash incentive earned during the years indicated; (2) the full grant date fair value of RSU and SAR awards granted during the years indicated, computed in accordance with Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 718; (3) the dollar value of earnings for services pursuant to awards granted during the indicated year under non-equity incentive plans; (4) the change in pension value and non-qualified deferred compensation earnings during the years indicated; (5) all other compensation for the years indicated; and, finally, (6) the dollar value of total compensation for the years indicated. Our named executive officers are our Chairman and CEO, our Vice President and Chief Financial Officer and each of our three other most highly compensated executive officers as of December 29, 2012 (each of whose total cash compensation exceeded $100,000 for fiscal year 2012). In accordance with the rules of the SEC, the table includes information for the fiscal years ended January 1, 2011, December 31, 2011 and December 29, 2012 for each named executive officer or such shorter period as the named executive officer has been a named executive officer.

SUMMARY COMPENSATION TABLE FOR FISCAL YEARS 2010-2012

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)(3)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(4)	All Other Compensation ($)(5)	Total ($)
Mark J. Gliebe Chairman and	2012	898,750	0	1,194,928	2,227,539	775,520	1,547,848	25,154	6,669,738
Chief Executive Officer	2011	765,000	0	1,214,472	1,741,350	884,924	972,467	24,318	5,602,531
(Principal Executive Officer)(6)	2010	569,500	0	466,336	963,900	900,000	731,674	21,789	3,653,199
Charles A. Hinrichs Vice President and	2012	435,000	0	286,020	559,121	202,893	0	11,015	1,494,049
Chief Financial Officer(7)	2011	412,500	0	260,244	535,800	332,386	0	15,937	1,556,867
(Principal Financial Officer)	2010	110,999	0	200,003	0	143,000	0	19,673	473,675
Jonathan J. Schlemmer	2012	478,000	0	298,732	581,486	272,480	65,899	18,445	1,715,042
Chief Operating Officer(8)	2011	368,267	0	224,099	442,035	276,653	22,174	60,468	1,393,696
Peter C. Underwood	2012	360,500	0	216,104	402,567	152,589	0	24,310	1,156,070
Vice President, General Counsel and Secretary(9)	2011	340,002	0	213,256	428,640	226,627	0	120,132	1,328,657

Terry R. Colvin Vice President,	2012	308,7500	100,107	183,392	105,638	74,318	16,874	789,079
Corporate Human Resources	2011	282,5000	108,435	214,320	166,912	80,980	18,964	872,111
	2010	253,2500	138,060	272,160	208,000	8,369	15,659	895,498

(1) These amounts reflect the full grant date fair value of the stock awards granted during the indicated fiscal year, computed in accordance with ASC Topic 718, Compensation-Stock Compensation. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. The assumptions made in valuing the stock awards for 2012, 2011 and 2010 are included under the caption "Shareholders' Equity" in Notes 9, 9 and 10, respectively, of the Notes to Consolidated Financial Statements in the 2012, 2011 and 2010 Annual Reports on Form 10-K, and such information is incorporated herein by reference.

(2) These amounts reflect the full grant date fair value of all option awards granted during the indicated fiscal year, computed in accordance with ASC Topic 718. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. The assumptions made in valuing the stock awards for 2012, 2011 and 2010 are included under the caption "Shareholders' Equity" in Notes 9, 9 and 10, respectively, of the Notes to Consolidated Financial Statements in the 2012, 2011 and 2010 Annual Reports on Form 10-K, and such information is incorporated herein by reference.

(3) As discussed in more detail in the Compensation Discussion and Analysis, under the SVA Cash Incentive Plan we pay any annual cash incentive amounts earned above the target annual cash incentive value in three equal annual installments. Since the amounts shown for 2010 and 2011 with respect to each named executive officer are in excess of 100% of the applicable target annual cash incentive values, we have paid or will pay, as applicable, a portion of the amount in installments over the next three years as long as the named executive officer has not voluntarily terminated his employment with us (other than upon retirement) or been terminated for cause on the installment payment date.

(4) The values shown are not current cash benefits, but rather actuarial calculations of the change in the accumulated benefit obligations under the Target Supplemental Retirement Plan. Mr. Gliebe has 30 years of credited service with our company under the Target Supplemental Retirement Plan.

(5) The amounts shown include payments for personal benefits and for the other items identified in the following sentences. We provide a modest level of personal benefits to named executive officers. These personal benefits include use of a company car, the payment of certain moving expenses and the payment of life insurance premiums. The amount shown for Mr. Underwood includes a make-whole payment of $1,218 for income taxes owed as a result of our reimbursement of certain moving expenses. For 2012, other items included in this column were: company contributions to the named executive officers' 401(k) plans of $8,750, $7,500, $8,709, $8,750 and $8,509 for Messrs. Gliebe, Hinrichs, Schlemmer, Underwood and Colvin, respectively.

(6) Mr. Gliebe served as our President and Chief Operating Officer until May 2, 2011, became our President and Chief Executive Officer effective May 2, 2011 and was elected Chairman of the Board effective January 2, 2012.

(7) Mr. Hinrichs became our Vice President and Chief Financial Officer effective September 20, 2010.

(8) Mr. Schlemmer became our Chief Operating Officer effective May 2, 2011.

(9) Mr. Underwood became our Vice President, General Counsel and Secretary effective September 27, 2010.

Grants of Plan-Based Awards

The following table sets forth information regarding all incentive plan awards that the Committee made to our named executive officers during 2012, including incentive plan awards (equity-based and non-equity based) and other plan-based awards. Disclosure on a separate line item is provided for each grant of an award made to a named executive officer during the year. The information supplements the dollar value disclosure of stock, option and non-stock awards in the Summary Compensation Table by providing additional details about these awards. Non-equity incentive plan awards are awards that are not subject to ASC Topic 718 and are intended to serve as an incentive for performance to occur over a specified period.

GRANTS OF PLAN-BASED AWARDS TABLE FOR FISCAL 2012

			Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($)
Name	Grant Date	Date of Committee Action	Threshold ($)	Target ($)	Maximum ($)				
Mark J. Gliebe	5/03/2012	4/10/2012				18,800			1,194,928
	5/03/2012	4/10/2012					99,600	63.56	2,227,538
			0	925,000	1,850,000				
Charles A. Hinrichs	5/03/2012	4/10/2012				4,500			286,020
	5/03/2012	4/10/2012					25,000	63.56	559,121
			0	242,000	484,000				
Jonathan J. Schlemmer	5/03/2012	4/10/2012				4,700			298,732
	5/03/2012	4/10/2012					26,000	63.56	581,486
			0	325,000	650,000				
Peter C. Underwood	5/03/2012	4/10/2012				3,400			216,104
	5/03/2012	4/10/2012					18,000	63.56	402,567
			0	182,000	364,000				
Terry R. Colvin	5/03/2012	4/10/2012				1,575			100,107
	5/03/2012	4/10/2012					8,200	63.56	183,392
			0	126,000	252,000				

(1) The table reflects the estimated future payouts at the time these awards were granted under the SVA Cash Incentive Plan, based on the base salaries that become effective on April 1, 2012. As of the date of this proxy statement, these awards have been earned and, up to the target amount, paid out. As discussed in more detail in the

Compensation Discussion and Analysis, annual cash incentives earned above the target annual cash incentive value under the SVA Cash Incentive Plan are subject to payment in three equal annual installments. To receive the installment payments, the named executive officer must not have voluntarily terminated his employment with us (other than upon retirement) or been terminated for cause prior to the applicable payment date. We do not credit interest on amounts subject to payment in installments.

Equity Incentive Plan Awards

As reflected in the tables above, the Committee granted equity-based awards to our named executive officers in 2012. The Committee granted these awards under our two equity incentive plans: the 2003 Equity Incentive Plan, or the 2003 Plan, and the 2007 Equity Incentive Plan, or the 2007 Plan. Our equity incentive plans are administered by the Committee with respect to key employee participants, and the Committee generally has the authority to set the terms of awards under the plans except to the extent the plans specify such terms.

Effective May 2012, the Committee awarded 18,800, 4,500, 4,700, 3,400 and 1,575 restricted stock units to Messrs. Gliebe, Hinrichs, Schlemmer, Underwood and Colvin, respectively, under the 2003 Plan. Pursuant to its practice of granting equity-based awards only during an "open window" period following the release of our quarterly or annual financial results, the Committee awarded these restricted stock units with an effective grant date of May 3, 2012, which was the beginning of the first open window period following the Committee's action. These restricted stock units had a grant date fair value of $63.56 per share as determined pursuant to ASC Topic 718, which is equal to the closing market price of a share of our common stock on the date of grant. All of the units granted to our named executive officers during 2012 remain subject to forfeiture for three years following the date of grant.

The Committee also granted stock appreciation rights, or SARs, to each of our named executive officers in 2012. Effective May 2012, the Committee awarded Messrs. Gliebe, Hinrichs, Schlemmer, Underwood and Colvin SARs under the 2007 Plan with respect to 99,600, 25,000, 26,000, 18,000 and 8,200 shares, respectively, at a per share base price of $63.56. Pursuant to its practice of granting equity-based awards only during an "open window" period following the release of our quarterly or annual financial results, the Committee awarded these SARs with an effective grant date of May 3, 2012, which was the beginning of the first open window period following the Committee's action. The base price of the SARs equals the closing market price of a share of our common stock on the date of grant. The SARs vest and become exercisable over a five-year period, with 40% vesting on the second anniversary of the grant date and 20% vesting on each of the third, fourth and fifth anniversaries of the grant date. The SARs will expire on May 3, 2022.

Except as otherwise provided by the Committee, awards under the 2003 Plan or any rights or interest may not be assigned or transferred except by will or the laws of descent and distribution during the lifetime of the participant. Awards under the 2007 Plan and any rights under such awards are generally not assignable, alienable, saleable or transferable by participants.

Shareholder Value Added Cash Incentive Plan

As reflected in the tables above, our named executive officers participated in the SVA Cash Incentive Plan, which is designed to promote the maximization of shareholder value over the long term. The SVA Cash Incentive Plan provides annual cash incentive opportunities based on a comparison of actual annual SVA to target SVA for the year in question. Performance above target SVA earns an annual cash incentive more than the target annual cash incentive while performance below target SVA earns an annual cash incentive less than the target annual cash incentive. Under the SVA Cash Incentive Plan, the annual cash incentives earned up to 100% of the target amount are fully paid in cash following the end of that year.

Annual cash incentive amounts earned above 100% of the target amount are paid in installments, with one-third of the above-target amount being paid to the participant in cash after the end of each of the following three years, as long as the named executive officer's employment with us has not been voluntarily terminated (other than upon retirement) or terminated for cause. We do not credit participants with interest on amounts subject to payment in installments. In 2012, the percent of target annual cash incentive actually earned was below 100%. Therefore, no portion of the annual cash incentive amounts earned for 2012 was deferred and subject to payment in installments.

Supplemental Retirement Plans

The column entitled “Change in Pension Value and Nonqualified Deferred Compensation Earnings” in the Summary Compensation Table includes amounts attributable to the change in the actuarial present value of the respective accumulated benefits under the Target Supplemental Retirement Plan for each of the named executive officers.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information on outstanding option and stock awards and stock appreciation rights held by our named executive officers on December 29, 2012, including the number of shares underlying both exercisable and unexercisable portions of each stock option and stock appreciation right as well as the exercise or grant price and expiration date of each outstanding option and stock appreciation right.

OUTSTANDING EQUITY AWARDS AT FISCAL 2012 YEAR-END

	Option Awards [1]				Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) [2]	Market Value of Shares or Units of Stock That Have Not Vested ($) [3]
Mark J. Gliebe	25,000	0	29.00	1/3/2015		
	35,000	0	36.36	1/27/2016		
	35,000	0	48.05	2/6/2017		
	28,000	7,000[4]	42.28	5/2/2018		
	21,000	14,000[5]	42.65	5/8/2019		
	17,000	25,500[6]	61.36	5/5/2020		
	0	65,000[7]	72.29	5/4/2021		
	0	99,600[8]	63.56	5/3/2022		
					43,200[9]	2,968,704
Charles A. Hinrichs	0	20,000[10]				