

City Office REIT, Inc.
Form 4
April 23, 2014

FORM 4

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

OMB APPROVAL

OMB Number: 3235-0287
Expires: January 31, 2015
Estimated average burden hours per response... 0.5

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Farrar James Thomas

(Last) (First) (Middle)

1075 WEST GEORGIA STREET,
SUITE 2600

(Street)

VANCOUVER, A1 V6E 3C9

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
City Office REIT, Inc. [CIO]

3. Date of Earliest Transaction
(Month/Day/Year)
04/21/2014

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director 10% Owner
 Officer (give title below) Other (specify below)

Chief Executive Officer

6. Individual or Joint/Group Filing(Check Applicable Line)

Form filed by One Reporting Person
 Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Ownership (Instr. 4)
Common Stock, par value \$0.01 per share	04/21/2014		A	66,051	A \$ 0 135,609	D	
Common Stock, par value \$0.01 per share	04/21/2014		A	69,558	A \$ 0 135,609	I	Through CIO REIT Stock Limited Partnership

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474
(9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Beneficially Owned (Instr. 5)
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Farrar James Thomas 1075 WEST GEORGIA STREET, SUITE 2600 VANCOUVER, A1 V6E 3C9	X		Chief Executive Officer	

Signatures

/s/ James Thomas
Farrar 04/23/2014

**Signature of Reporting Person Date

Explanation of Responses:

* If the form is filed by more than one reporting person, see Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ese benefits to active employees, we provide post-retirement medical, dental and life insurance coverage to certain retirees in accordance with the legacy company plans which applied at the time the employees were hired. We provide up to one and a half times annual salary (up to \$1,000,000) in life insurance, and up to \$15,000 per month in long-term disability coverage. The value of these benefits is not required to be included in the Summary Compensation Table since they are made available to all of our U.S. salaried employees.

Other Paid Time-Off Benefits

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We also provide vacation and other paid holidays to all employees, including the Named Executive Officers, which we have determined to be comparable to those provided at other large companies.

Deferred Compensation

We sponsor a non-qualified deferred compensation program, called the Sidekick Plan, for our U.S. executives within or above the pay grade that has a midpoint annual salary of \$168,700 in 2013. This plan permits executives to defer up to 25% of their base salary and 75% of their annual cash incentive compensation. Executives also may defer receipt of restricted stock units or cash settled performance units. We normally make contributions to the Sidekick Plan on behalf of participants similar to our contributions under the RSIP/ESOP Plan with respect to each participant's contributions from that portion of his or her income above the maximum imposed by Section 401(a)(17) of the U.S. Internal Revenue Code of 1986, as amended (the Code), which was \$255,000 in 2013, but below the Sidekick Plan's compensation limit of \$700,000.

Participants in the Sidekick Plan are allowed to invest their account balances in a number of possible mutual fund investments. Fidelity Investments Institutional Services Co. provides these investment vehicles for participants and handles all allocation and accounting services for the Plan. We do not guarantee or subsidize any investment earnings under the Plan, and our common shares are not a permitted investment choice under the Plan.

Amounts deferred, if any, under the Sidekick Plan by the Named Executive Officers are included in the Salary and Non-Equity Incentive Plan Compensation columns under Executive Compensation Summary Compensation Table. Our contributions allocated to the Named Executive Officers under the Sidekick Plan are included in the All Other Compensation column under Executive Compensation Summary Compensation Table.

Perquisites and Other Personal Benefits

We provide Named Executive Officers with a perquisite program (the Flex Perq Program) under which the Named Executive Officers receive a cash perquisite allowance in an amount that the Committee believes is customary, reasonable and consistent with our overall compensation program to better enable us to attract and retain superior employees for key positions. The Committee periodically reviews market data provided by Aon Hewitt to assess the levels of perquisites provided to Named Executive Officers.

For 2013, the total aggregate annual allowance under the Flex Perq Program was \$50,000 for the Chief Executive Officer and \$40,000 for all other executive officers. In addition to the allowance provided under the Flex Perq Program, we provided reimbursement for an annual executive physical and related expenses for the Chief Executive Officer, the President and Chief Operating Officer and the Senior Vice President, Human Resources, reimbursement for travel and related expenses for the spouse or companion of certain of our Named Executive Officers in conjunction with a Board meeting, retirement gifts for the President and Chief Operating Officer, who retired effective December 31, 2013, in recognition of his long service with our company, and reimbursement for the taxes owed on the gifts and on the reimbursement.

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The amounts of the annual allowance under the Flex Perq Program are included in the All Other Compensation column under Executive Compensation Summary Compensation Table and are set forth in more detail in footnote 5 to that table.

Severance and Change-in-Control Benefits

We provide severance and change-in-control benefits to selected executives to provide for continuity of management upon a threatened or completed change in control. These benefits are designed to provide economic protection to key executives following a change in control of our company so that our executives can remain focused on our business without undue personal concern. We believe that the security that these benefits provide helps our key executives to remain focused on our on-going business and reduces the key executive's concerns about future employment. We also believe that these benefits allow our executives to consider the best interests of our company and its shareholders due to the economic security afforded by these benefits. The change-in-control benefits were triggered by the consummation of the Merger in 2012. Some of the benefits were waived by the Named Executive Officers, while others remain in effect. As previously disclosed, we also entered into an agreement with our Chief Executive Officer in March 2013 providing that, if his employment is involuntarily terminated, other than for death, disability or for cause (as described under Executive Compensation Potential Payments upon Termination or Change in Control), or if he terminates his employment for conditions that constitute good reason (as described under Executive Compensation Potential Payments upon Termination or Change in Control), in each case prior to or on September 28, 2015, all of his then outstanding unvested stock options and restricted stock units granted after the Merger would immediately vest; provided that in the case of restricted stock units that are conditioned on the attainment of certain performance goals, such restricted stock units will become fully vested only if such performance goals are satisfied. In addition, the performance conditions with respect to his cash-settled performance awards granted after the Merger would be deemed satisfied and the units would be paid out at target following the end of the applicable performance period, except that certain performance goals must be satisfied for any payment to be made with respect to such units. The agreement also requires our Chief Executive Officer to maintain the confidentiality of our information during and following employment and to refrain from competitive activities for a period of one year following termination of employment with us. Following the Merger and our entry into this agreement with our Chief Executive Officer, we provide the following severance and change-in-control benefits to our executive officers:

We have agreements with our key corporate executives and other key leaders, including all Named Executive Officers, that provide for contingent benefits upon a change in control.

The 2012 Plan provides that, upon a change in control, all options, restricted stock and restricted stock units that are unvested become fully vested; all cash performance awards (other than annual incentive awards) are paid in full based on performance at the better of target or trend; and all annual incentive awards are paid based on full satisfaction of the performance goals. As previously disclosed, the Committee approved in September 2013 an amendment to the 2012 Plan to provide that, if an employee's employment is involuntarily terminated for a reason other than cause, death or disability, or if an employee who is a Board-appointed corporate officer voluntarily terminates employment for good reason, then the employee's outstanding awards under the Plan will be eligible for continued or accelerated vesting as described below under Executive Compensation Potential Payments Upon Termination Or Change In Control.

The 2008 Omnibus Incentive Plan (the 2008 Omnibus Plan) and its predecessors provide that, upon a change in control, all outstanding options granted under such plans that are unvested become fully vested; all restrictions applicable to outstanding shares of restricted stock or restricted stock units granted under such plans automatically lapse and any dividends declared but unpaid with respect to such restricted stock or dividend equivalents on such restricted stock units shall be paid to the executive within 10 days of the date of the change in control; and all cash settled performance units for which the performance period has not expired will be cancelled in exchange for a cash payment equal to the amount that would have been due under such awards if the performance goals measured at the time of the change in control were to continue to be achieved at the same rate through the end of the performance period, or if higher, assuming the target performance goals had been met at the time of the change in control.

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Upon certain types of terminations of employment (other than a termination following a change in control), severance benefits may be paid to the Named Executive Officers at the discretion of the Committee.

Under the agreement that we entered into with our Chief Executive Officer in March 2013, we provide accelerated vesting of long-term incentive awards, subject in certain cases to meeting certain performance goals, on certain types of terminations of employment.

We explain these benefits more fully below under Executive Compensation Potential Payments Upon Termination Or Change In Control. Mr. Schrock retired effective December 31, 2013 and received certain of these benefits under his change in control agreement and in connection with his leaving employment at the end of the year, as described below.

Retention Agreements

We entered into a Confidentiality and Non-Competition Agreement dated as of January 6, 2005, with Michael Schrock, our former President and Chief Operating Officer. The Confidentiality and Non-Competition Agreement requires Mr. Schrock to devote his full-time and energy to furthering our business and prohibits Mr. Schrock, during or after his term of employment, from disclosing or using, for his own benefit or the benefit of another party, confidential information that he may learn or acquire during his employment. The Confidentiality and Non-Competition Agreement also contains a covenant against competition by Mr. Schrock for two years following his last day of employment with us, which was December 31, 2013. It does not contain severance provisions.

Impact of Tax Considerations

Section 162(m) of the Code places a limit of \$1,000,000 on the amount of compensation that we may deduct in any one year with respect to each of our five most highly paid executive officers. There is an exception to the \$1,000,000 limitation for performance-based compensation meeting certain requirements, including periodic shareholder approval of the benefit plans under which we pay such performance-based compensation. Annual cash incentive compensation generally is performance-based compensation meeting those requirements and, as such, is fully deductible. The Committee included a performance condition on grants of restricted stock units in 2013 that requires our company to meet a specified goal for free cash flow for any vesting to take place. This performance condition is intended to make the restricted stock units eligible to be treated as performance-based compensation. At the Annual General Meeting in 2013, our shareholders approved the performance goals under the 2012 Plan, making awards granted under the Plan eligible to be treated as performance-based compensation under Section 162(m) if the Committee elects to make the awards otherwise compliant with the applicable requirements of Section 162(m).

The Committee also considers the impact of other tax provisions, such as the restrictions on deferred compensation set forth in Section 409A of the Code, and attempts to structure compensation in a tax-efficient manner, both for the Named Executive Officers and for our company. To maintain flexibility in compensating executive officers in a manner designed to promote varying corporate goals, the Committee has not adopted a policy requiring all compensation to be deductible.

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COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis set forth above with management and, based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference into our Annual Report on Form 10-K for the year ended December 31, 2013.

THE COMPENSATION COMMITTEE:

David A. Jones, Chair

Glynis A. Bryan

T. Michael Glenn

William T. Monahan

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The table below summarizes the total compensation paid to or earned by each of the Named Executive Officers for the years ended December 31, 2011, 2012 and 2013.

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock	Option Awards (\$ (2)	Non-Equity Incentive Plan Compensation (\$ (3) (4)	Change in Pension Value and Non- Qualified Deferred Compensation Earnings (\$ (5)	All Other Compensation (\$ (6)	Total Compensation (\$)
				Awards (\$ (1)					
Randall J. Hogan <i>Chairman and Chief Executive Officer</i>	2013	1,173,900	-	2,981,318	3,156,470	4,287,977	1,057,943	95,187	12,752,795
	2012	1,104,500	-	8,100,007	1,773,060	1,650,000	4,022,354	82,799	16,732,720
John L. Stauch <i>Executive Vice President and Chief Financial Officer</i>	2011	1,065,000	-	1,738,763	1,716,495	3,943,764	3,113,217	90,470	11,667,709
	2013	566,250	-	666,686	705,834	1,242,580	163,044	80,688	3,425,082
Michael V. Schrock (7) <i>President and Chief Operating Officer</i>	2012	501,500	-	2,545,344	557,720	394,934	1,175,342	72,801	5,247,641
	2011	479,288	-	557,067	549,943	1,117,448	532,629	75,924	3,312,299
Frederick S. Koury <i>Senior Vice President, Human Resources</i>	2013	600,000	-	766,691	811,710	2,306,274	-	3,542,943	8,027,618
	2012	581,771	-	3,434,442	757,501	581,771	1,425,416	81,724	6,862,625
Angela D. Lageson <i>Senior Vice President, General Counsel and Secretary</i>	2011	564,826	-	759,643	749,922	1,653,256	1,129,507	85,961	4,943,115
	2013	427,500	-	333,317	352,910	717,362	18,355	79,145	1,928,589
Angela D. Lageson <i>Senior Vice President, General Counsel and Secretary</i>	2012	407,633	-	1,501,940	329,638	244,580	948,344	78,201	3,510,336
	2011	401,696	-	320,728	316,630	711,260	547,585	64,025	2,361,924
Angela D. Lageson <i>Senior Vice President, General Counsel and Secretary</i>	2013	452,750	-	333,317	352,910	638,680	70,975	72,237	1,920,868
	2012	368,750	-	1,256,257	249,731	210,000	508,605	63,576	2,656,919
2011	325,000	-	236,339	233,312	328,464	218,795	218,795	50,313	1,392,223

(1) The amounts in column (e) represent the aggregate grant date fair value, computed in accordance with Accounting Standards Codification 718 (ASC 718), of restricted stock units granted during each year. Assumptions used in the calculation of the amounts in column (e) are included in footnote 14 to our audited financial statements for the year ended December 31, 2013 included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 25, 2014.

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- (2) The amounts in column (f) represent the aggregate grant date fair value, computed in accordance with ASC 718, of stock options granted during each year. Assumptions used in the calculation of these amounts are included in footnote 14 to our audited financial statements for the year December 31, 2013 included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 25, 2014.
- (3) The amounts in column (g) with respect to 2013 reflect cash awards to the named individuals pursuant to awards under the MIP in 2013, which were determined by the Compensation Committee at its February 24, 2014 meeting and, to the extent not deferred by the executive, paid shortly thereafter, as well as payments to the named individuals pursuant to cash settled performance units granted in 2011 that vested in 2013. For Mr. Schrock, the amounts also include payments in respect of cash settled performance units granted in 2012 that vested upon his retirement eligibility.
- (4) In the proxy statement for the 2013 annual meeting, the amount shown in column (g) with respect to 2012 inadvertently included amounts attributable to cash settled performance units that were awarded in 2012. The performance period for the cash settled performance units awarded in 2012 continues until 2014. Accordingly, the units were not earned in 2012 and are not included in the amount shown in column (g) with respect to 2012 in the table above.
- (5) The amounts in column (h) reflect the increase in the actuarial present value of the Named Executive Officer's accumulated benefits under all of our pension plans determined using interest rate and mortality rate assumptions consistent with those used in our financial statements. The actual present value of such accumulated benefits for Mr. Schrock decreased by (\$98,102) in 2013. In accordance with regulations of the Securities and Exchange Commission, this negative amount is not reflected in the sum reported in column (h).

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- (6) The table below shows the components of column (i) for 2013, which include perquisites and other personal benefits; the Company match under the Sidekick Plan, RSIP/ESOP Plan and the Employee Stock Purchase Plan; Company-paid life insurance premiums; and, for Mr. Schrock, payments in connection with his retirement:

	(A)	(B)	(C)	(D)	(E)	(F)	(G)
				Matches under the Employee Stock Purchase Plan	Life Insurance Premiums	Payments Upon Retirement	Reimburse- ment for Taxes
Name	Perquisites under the Flex Perq Program \$(a)	Other Perquisites and Personal Benefits \$(b)	Matches under Defined Contribution Plans \$(c)	\$(d)	\$(e)	\$(f)	\$(g)
Mr. Hogan	50,000	5,110	35,175	-	4,902	-	-
Mr. Stauch	40,000	2,274	35,175	1,800	1,439	-	-
Mr. Schrock	40,000	53,964	35,175	2,250	6,732	3,364,775	40,047
Mr. Koury	40,000	2,338	35,175	-	1,632	-	-
Ms. Lageson	40,000	289	30,844	-	1,104	-	-

- (a) The amount shown in column (A) for each individual reflects amounts paid to or for the benefit of each Named Executive Officer under the Flex Perq Program, which is designed to provide corporate officers and other key executives with an expense allowance for certain personal and business-related benefits.
- (b) The amounts shown in column (B) consist of travel and related expenses for such individual's spouse or companion in conjunction with a Board meeting for Messrs. Hogan, Stauch and Schrock, reimbursement for costs associated with an annual executive physical and related travel expenses for Messrs. Hogan, Schrock and Koury, holiday gifts for Messrs. Hogan, Stauch, Schrock and Koury and Ms. Lageson, a service recognition gift for Mr. Hogan and gifts to Mr. Schrock upon his retirement in recognition of his service. The aggregate incremental cost of the gifts to Mr. Schrock upon his retirement was \$43,815.
- (c) The amount shown in column (C) for each individual reflects amounts contributed by us to the RSIP/ESOP Plan or the Sidekick Plan with respect to salary deferrals in 2012 that were paid in 2013.
- (d) The amount shown in column (F) for Mr. Schrock reflect payments due as a result of his retirement effective December 31, 2013 pursuant to the terms of his existing employment arrangements. The payments included severance, replacement coverage for company-provided group medical, dental and life insurance policies, the cost of an executive search agency and fees and expenses of consultants and legal or accounting advisors, as disclosed below under Potential Payments Upon Termination or Change in Control Change in Control Agreements Benefits Upon a Covered Termination Without a Post-Merger Change in Control.
- (e) The amount shown in column (G) for Mr. Schrock reflects a reimbursement for the taxes owed on the retirement gift included in column (B), and for the taxes owed on the reimbursement.
- (7) Mr. Schrock retired effective December 31, 2013.

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Estimated Future Payouts												
Under Non- Equity												
Estimated Future Payouts Under Equity Incentive Plan Awards												
(a)	(b)	(c)	Incentive Plan Awards (2) (3)			Estimated Future Payouts Under Equity Incentive Plan Awards			(j)	(k)	(l)	(m)
Name	Grant Date	Compensation Committee Approval Date (1)	Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#)(4)	All Other Awards: Number of Securities Underlying Options (#)(5)	Exercise or Base Price of Option Awards (\$/sh)	Grant Date Fair Value of Stock and Option Awards (\$)(6)
Randall J. Hogan	1/2/13	12/10/12							51,544			2,608,642
	1/2/13	12/10/12								198,831	50.61	2,761,925
	1/2/13	12/10/12	1,304,333	2,608,666	5,217,332							
	3/15/13	2/25/2013							7,073			372,676
	3/15/13	2/25/2013								27,282	52.69	394,545
	3/15/13	2/25/2013	186,334	372,667	745,334							
			1,408,680	1,878,240	3,756,480							
John L. Stauch	1/2/13	12/10/12							13,173			666,686
	1/2/13	12/10/12								50,813	50.61	705,834
	1/2/13	12/10/12	383,333	666,666	1,533,332							
				382,219	509,625	1,019,250						
Michael V. Schrock	1/2/13	12/10/12							15,149			766,691
	1/2/13	12/10/12								58,435	50.61	811,710
	1/2/13	12/10/12	383,333	766,666	1,533,332							
				495,000	660,000	1,320,000						
Frederick S. Koury	1/2/13	12/10/12							6,586			333,317
	1/2/13	12/10/12								25,406	50.61	352,910
	1/2/13	12/10/12	166,667	333,334	666,668							
				224,438	299,250	598,500						
Angela D. Lageson	1/2/13	12/10/12							6,586			333,317
	1/2/13	12/10/12								25,406	50.61	352,910
	1/2/13	12/10/12	166,667	333,334	666,668							
				237,694	316,925	633,850						

- (1) The Compensation Committee's practices for granting options and restricted stock units, including the timing of all grants and approvals therefor, are described under Compensation Discussion and Analysis 2013 Long-Term Incentive Compensation.
- (2) The amounts shown in column (d) to which no grant date applies reflect the total of the threshold payment levels for each element under our MIP. This amount is 75% of the target amounts shown in column (e). The amounts shown in column (f) are 200% of such target amounts. These amounts are based on the individual's actual salary paid for 2013 and current position.

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- (3) The amounts shown in column (d) as having been granted on January 2, 2013 (and, for Mr. Hogan, on March 15, 2013), reflect the total of the threshold payment levels for awards of cash settled performance units granted in 2013 under the 2012 Plan, which are 50% of the target amounts shown in column (e). The amounts shown in column (f) are 200% of such target amounts. These amounts are based on the individual's current salary and position. Any amounts payable with respect to performance units would be paid in March 2016, based on cumulative Company performance for the period 2013 to 2015.
- (4) The amounts shown in column (j) reflect the number of restricted stock units granted to each Named Executive Officer in 2013.
- (5) The amounts shown in column (k) reflect the number of options to purchase common shares granted to each Named Executive Officer in 2013.
- (6) The amounts shown in column (m) reflect the grant date fair value of the awards of restricted stock units and stock options computed in accordance with ASC 718.

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Name	Option Awards					Stock Awards		Equity incentive plan awards:
	Number of securities	Number of securities	Equity incentive plan awards:			Number of shares	Market value of shares of stock or units that have not vested	Equity incentive plan awards:
	underlying unexercised options	underlying unexercised options	Number of securities underlying unexercised options	Option exercise price	Option expiration	of stock or units that have not been vested	of shares of stock or units that have not vested	Number of unearned shares that have not vested
	(#)	(#)	(#)	(\$)(1)	date	(#)(2)	(\$)(3)	(#)
Exercisable	Unexercisable							Market or payout value of unearned shares that have not vested
Randall J. Hogan						336,847	26,162,906	
	197,083	-		34.2800	1/3/2016			
	316,448	-		30.0500	1/3/2017			
	330,325	-		34.1800	1/2/2018			
	305,253	-		24.7800	1/2/2019			
	362,572	-		33.3800	1/4/2020			
	114,216	57,108 ⁽⁴⁾		36.9800	1/3/2021			
	64,592	129,185 ⁽⁵⁾		34.1200	1/3/2022			
	-	198,831 ⁽⁶⁾		50.6100	1/2/2023			
	-	27,282 ⁽⁷⁾		52.6900	3/15/2023			
John L. Stauch						89,925	6,984,475	
	112,500	-		34.1800	1/2/2018			
	119,220	-		33.3800	1/4/2020			
	36,593	18,297 ⁽⁴⁾		36.9800	1/3/2021			
	20,317	40,636 ⁽⁵⁾		34.1200	1/3/2022			
	-	50,813 ⁽⁶⁾		50.6100	1/2/2023			
Michael V. Schrock						-	-	
	134,000	-		34.1800	1/2/2018			
	158,960	-		33.3800	1/4/2020			
	74,850	-		36.9800	1/3/2021			
	82,787	-		34.1200	1/3/2022			
	-	58,435 ⁽⁶⁾		50.6100	1/2/2023			
Frederick S. Koury						59,369	4,611,190	
	70,000	-		34.1800	1/2/2018			
	68,642	-		33.3800	1/4/2020			
	21,068	10,535 ⁽⁴⁾		36.9800	1/3/2021			
	12,008	24,018 ⁽⁵⁾		34.1200	1/3/2022			
	-	25,406 ⁽⁶⁾		50.6100	1/2/2023			
Angela D. Lageson						46,787	3,633,946	
	3,931	-		41.1200	3/1/2015			
	2,896	-		41.1700	3/1/2016			
	3,215	-		31.5600	3/1/2017			
	5,597	-		32.4000	3/3/2018			
	9,629	-		19.1300	3/3/2019			
	25,000	-		34.2300	3/2/2020			
	15,524	7,763 ⁽⁴⁾		36.9800	1/3/2021			
	9,097	18,196 ⁽⁵⁾		34.1200	1/3/2022			
	-	25,406 ⁽⁶⁾		50.6100	1/2/2023			

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

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- (2) For all awards of restricted stock units, the restrictions with respect to 50% of the shares will lapse on the third anniversary of the grant date and the restrictions on the remaining 50% of the shares will lapse on the fourth anniversary of the grant date.
- (3) The amounts in this column were calculated by multiplying the closing market price of our common shares on December 31, 2013 (the last trading day of our most recently completed fiscal year) of \$77.67 by the number of unvested restricted stock units.
- (4) One-half of these options will vest on each of the second and third anniversaries of the grant date, January 3, 2011.
- (5) One-third of these options will vest on each of the first, second and third anniversaries of the grant date, January 3, 2012.
- (6) One-third of these options will vest on each of the first, second and third anniversaries of the grant date, January 2, 2013.
- (7) One-third of these options will vest on each of the first, second and third anniversaries of the grant date, March 15, 2013.

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

The following table shows a summary of the stock options exercised by the Named Executive Officers in 2013 and the restricted stock or restricted stock units vested for the Named Executive Officers during 2013.

Name	Option awards		Stock awards	
	Number of shares acquired on exercise (#)	Value realized on exercise (\$)(1)	Number of shares acquired on vesting (#)	Value realized on vesting (\$)(2)
Randall J. Hogan	272,558	4,903,443	74,646	2,067,118
John L. Stauch	133,500	3,651,714	65,051	2,268,457
Michael V. Schrock	370,951	10,760,648	135,148	8,318,448
Frederick S. Koury	114,962	2,810,216	13,706	688,498
Angela D. Lageson	10,045	317,321	4,523	70,302

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

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

PENSION BENEFITS

Listed below are the number of years of credited service and present value of accumulated pension benefits as of December 31, 2013 for each of the Named Executive Officers under the Pentair, Inc. Pension Plan, the Pentair, Inc. Supplemental Executive Retirement Plan and the Pentair, Inc. Restoration Plan, which are described in detail under Compensation Discussion and Analysis Retirement and Other Benefits. The disclosed amounts are actuarial estimates only and do not necessarily reflect the actual amounts that will be paid to the Named Executive Officers, which will only be known at the time that they become eligible for payment.

Name	Plan name	Number of years credited service (#)	Present value of accumulated benefit (\$)(1)	Payments during last fiscal year (\$)
Randall J. Hogan	Pentair, Inc. Pension Plan	16	506,340	-
	Pentair, Inc. Supplemental Executive Retirement Plan	16	15,918,386	-
John L. Stauch	Pentair, Inc. Pension Plan	7	146,910	-
	Pentair, Inc. Supplemental Executive Retirement Plan	7	2,659,306	-
Michael V. Schrock	Pentair, Inc. Pension Plan	16	657,543	-
	Pentair, Inc. Supplemental Executive Retirement Plan	15	5,267,915	-
Frederick S. Koury	Pentair, Inc. Pension Plan	10	251,963	-
	Pentair, Inc. Supplemental Executive Retirement Plan	10	2,442,141	-
Angela D. Lageson	Pentair, Inc. Pension Plan	11	203,142	-
	Pentair, Inc. Supplemental Executive Retirement Plan	4	778,450(2)	-

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

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The Pension Plan present values were based on the accrued benefit payable at age 65 and were calculated as of December 31, 2013.

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

The present value of Pension Plan benefits as of December 31, 2013 was calculated assuming a 4.56% interest rate and the male and female RP2000 mortality table, projected 15 years for post-retirement decrements with no pre-retirement mortality used.

The present value of Supplemental Executive Retirement Plan benefits as of December 31, 2013 was calculated assuming a 4.3% interest rate.

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

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

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

The Pentair, Inc. Pension Plan

The Pentair, Inc. Pension Plan (the "Pension Plan") is a funded, tax-qualified, noncontributory defined-benefit pension plan that covers certain employees, including the Named Executive Officers. Participation in the Pension Plan is restricted to those Named Executive Officers and other employees who were hired on or before December 31, 2007. Benefits under the Pension Plan are based upon an employee's years of service and highest average earnings in any five-year period during the ten-year period preceding the employee's retirement (or, in the case of an employee with more than five years but less than ten years of service, during any five-year period preceding the employee's retirement). No additional benefits may be earned under the Pension Plan after December 31, 2017. Benefits under the Pension Plan are payable after retirement in the form of an annuity.

Compensation covered by the Pension Plan for the Named Executive Officers equals the amounts set forth in the "Salary" column under "Executive Compensation Summary Compensation Table" and 2012 incentive compensation paid under the MIP in March 2013 set forth in the "Non-Equity Incentive Plan Compensation" column under "Executive Compensation Summary Compensation Table." The amount of annual earnings that may be considered in calculating benefits under the Pension Plan is limited by law. For 2013, the annual limitation was \$255,000.

Benefits under the Pension Plan are calculated as an annuity equal to the sum of:

1.0 percent of the participant's highest final average earnings multiplied by years of service; and

0.5 percent of such earnings in excess of Primary Social Security compensation.

Years of service under these formulas cannot exceed 35. Contributions to the Pension Plan are made entirely by us and are paid into a trust fund from which the benefits for all participants will be paid.

The Pentair Supplemental Executive Retirement and Restoration Plan

The Pentair, Inc. Supplemental Executive Retirement Plan ("SERP") and the Pentair, Inc. Restoration Plan ("Restoration Plan") are unfunded, nonqualified defined benefit pension plans. Employees eligible for participation in the SERP include all executive officers and other key executives selected for participation by the Committee. Participation in the Restoration Plan is limited to eligible employees under the SERP who were eligible employees on or before December 31, 2007. Benefits under these two Plans vest upon the completion of five years of benefit service (all service following initial participation). These Plans are combined for all administrative, accounting and other purposes. Each of the Named Executive Officers participates in the SERP and each of the Named Executive Officers other than Ms. Lageson participates in the Restoration Plan. All Named Executive Officers other than Ms. Lageson are fully vested in these Plans.

Benefits under the SERP are based upon the number of an employee's years of service following initial participation and the highest average earnings for a five calendar-year period (ending with retirement). Benefits vested as of December 31, 2004, are payable after retirement in the form of either a 15-year certain annuity or, at the participant's option, a 100% joint and survivor annuity. Benefits earned after December 31, 2004, are payable after retirement in the form of a 15-year certain annuity. Compensation covered by the SERP and the Restoration Plan for the Named Executive Officers equals the amounts set forth in the "Salary" column under "Executive

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Compensation Summary Compensation Table and 2012 incentive compensation paid under the MIP in March 2013 set forth in the Non-Equity Incentive Plan Compensation column under Executive Compensation Summary Compensation Table.

Benefits under the SERP are calculated as:

final average compensation as defined above; multiplied by

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

As discussed above, the Pension Plan limits retirement benefits for compensation earned in excess of the annual limitation imposed by Code Section 401(a)(17), which was \$255,000 in 2013. The Restoration Plan is designed to provide retirement benefits based on compensation earned by participants in excess of this annual limitation. The only participants in the Restoration Plan are those executive officers and other selected key leaders who participate in the SERP and who otherwise qualify for participation in the Restoration Plan. Restoration Plan benefits are combined and administered with those payable under the SERP and are paid in the same manner and at the same time.

Benefits under the Restoration Plan are calculated as:

final average compensation as defined above, less compensation below the annual limitation amount in each year; multiplied by

earned benefit service percentage (which is weighted based on age at the time of service), in accordance with the following table:

Service Age	Percentage
Under 25	4%
25-34	5.5%
35-44	7%
45-54	9%
55 or over	12%

The benefit percentages calculated above are added and the resulting percentage is multiplied by the covered compensation amount. Benefits vested as of December 31, 2004 are payable after retirement in the form of a 15-year certain annuity or, at the participant's option, a 100% joint and survivor annuity. Benefits earned after December 31, 2004 are payable after retirement in the form of a 15-year certain annuity. No additional benefits may be earned under the Restoration Plan after December 31, 2017.

The present value of the combined accumulated benefits for the Named Executive Officers under both the SERP and the Restoration Plan is set forth in the table under Executive Compensation Pension Benefits.

The Pentair Retirement Savings and Stock Incentive Plan

The Pentair Retirement Savings and Stock Incentive Plan (RSIP/ESOP Plan) is a tax-qualified 401(k) retirement savings plan, with a companion Employee Stock Ownership Plan (ESOP) component. Participating employees may contribute up to 50 percent of base salary and incentive compensation on a before-tax basis and 15 percent of compensation on an after-tax basis, into their 401(k) plan (RSIP). We normally match an amount equal to one dollar for each dollar contributed to the RSIP by participating employees on the first one percent, and 50 cents for each dollar contributed to the RSIP by participating employees on the next five percent, of their regular earnings. In addition, after the first year of employment, we contribute to the ESOP an amount equal to 1 1/2 % of cash compensation (salary and incentive compensation) for each participant in the RSIP, to incent employees to make contributions to our retirement plan. The RSIP/ESOP Plan limits the amount of cash compensation considered for contribution purposes to the maximum imposed by Code Section 401(a)(17), which was \$255,000 in 2013.

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Participants in the RSIP/ESOP Plan are allowed to invest their account balances in a number of possible mutual fund investments. Our common shares are not a permitted investment choice under the RSIP. We make ESOP contributions in our common shares. Participants may sell and immediately reinvest common share contributions within the ESOP into any other investment vehicles offered under the RSIP/ESOP Plan. In addition, ESOP balances, but not RSIP balances, may be reinvested into our common shares.

Fidelity Investments Institutional Services Co. provides these investment vehicles for participants and handles all allocation and accounting services for the Plan. We do not guarantee or subsidize any investment earnings under the Plan.

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

NONQUALIFIED DEFERRED COMPENSATION TABLE

The following table sets forth the contributions, earnings, distributions and 2013 year-end balances for each of the Named Executive Officers under our Sidekick Plan described under Compensation Discussion and Analysis Retirement and Other Benefits Deferred Compensation. Contributions we make to the Sidekick Plan are intended to make up for contributions to our RSIP/ESOP Plan (including our matching contributions) for cash compensation above the maximum imposed by Code Section 401(a)(17), which was \$255,000 in 2013. Because the Code does not permit contributions on amounts in excess of that limit under a tax-qualified plan, the Sidekick Plan is designed to permit matching contributions on compensation in excess of the maximum imposed by Code Section 401(a)(17). We make these matching contributions to the Sidekick Plan on amounts in excess of the maximum imposed by Code Section 401(a)(17), but below the \$700,000 compensation limit contained in our Sidekick Plan (such contributions by a Named Executive Officer, Covered Sidekick Compensation).

Name	Executive	Registrant	Aggregate	Aggregate	Aggregate
	Contributions in 2013	Contributions in 2013	Earnings/(Loss) in 2013	Withdrawals/Distributions in 2013	Balance at December 31, 2013
	(\$)	(\$)	(\$)	(\$)	(\$) (1)
Randall J. Hogan	1,841,442	22,500	1,275,101	(105,854)	5,149,161
John L. Stauch	1,052,514	22,500	893,185	(153,540)	3,254,507
Michael V. Schrock	1,393,005	22,500	977,030	(86,240)	4,030,808
Frederick S. Koury	23,922	22,500	117,526	(57,593)	520,278
Angela D. Lageson	167,174	22,500	142,178	(323,533)	597,950

(1) Amounts included in this column that have been reported in the Summary Compensation Table since 2006 for each Named Executive Officer are: Mr. Hogan \$3,029,181; Mr. Stauch \$2,535,474; Mr. Schrock \$2,316,102; Mr. Koury \$453,675; Ms. Lageson \$314,464. The amounts set forth in the column Executive Contributions in 2013 reflect the amount of cash compensation each Named Executive Officer deferred in 2013 under the Sidekick Plan.

The amounts set forth in the column Registrant Contributions in 2013 are the totals of contributions we made in 2013 under the Sidekick Plan for the account of each Named Executive Officer. These amounts, in addition to contributions we made under the RSIP/ESOP Plan, are included in the Summary Compensation Table in the column labeled All Other Compensation above. The contributions we made are derived from some or all of the following sources:

Matching contributions equal to one dollar for each dollar contributed up to one percent of Covered Sidekick Compensation, and 50 cents for each incremental dollar contributed on the next five

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percent, deferred in 2012 by each Named Executive Officer; we normally make these contributions one year in arrears.

A discretionary contribution of up to 1 1/2% of Covered Sidekick Compensation earned in 2012 for each Named Executive Officer; we normally make these contributions one year in arrears.

The amounts set forth in the column Aggregate Earnings/(Loss) in 2013 reflect the amount of investment earnings realized by each Named Executive Officer on the mutual fund investments chosen that are offered to participants in our RSIP/ESOP Plan and Sidekick Plan. Fidelity Investments Institutional Services Co. provides these investment vehicles for participants and handles all allocation and accounting services for these plans. We do not guarantee or subsidize any investment earnings in either Plan.

For some participants, including the Named Executive Officers, the selected distribution events under the Sidekick Plan included a change in control, which included the Merger. As a result, the distribution of some previously earned and vested, but unpaid, amounts under Pentair's deferred compensation programs to the Named Executive Officers commenced upon the consummation of the Merger. Some of these amounts were distributed in installments, and the amounts of the installments occurring in 2013 are set forth in the column Aggregate Withdrawals/Distributions in 2013.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

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

Change in Control Agreements

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

Under these agreements, the term cause means:

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

conviction of a felony; or

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

Under these agreements, the term good reason means:

a breach of the agreement by us;

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

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

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a good faith determination by an officer that there has been a material adverse change in his or her working conditions or status relative to the most favorable working conditions or status in effect during the 180-day period prior to the change in control, or, to the extent more favorable to him or her, those in effect at any time while employed after the change in control, including but not limited to a significant change in the nature or scope of his or her authority, powers, functions, duties or responsibilities or a significant reduction in the level of support services, staff, secretarial and other assistance, office space and accoutrements, but in each case excluding for this purpose an isolated, insubstantial and inadvertent event not occurring in bad faith that we remedy within 10 days after receipt of notice thereof;

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

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

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

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

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

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

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

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

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

Benefits Upon a Covered Termination Without a Post-Merger Change in Control

The Merger constituted a change in control under the change in control agreements and the benefits and protections provided by the agreements to the Named Executive Officers were therefore triggered by the Merger, some of which were waived by the Named Executive Officers. As a result, if any of the Named Executive Officers terminates employment in a Covered Termination, under the change in control agreements that were triggered as a result of the Merger and the Waiver Agreements the Named Executive Officer would receive:

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

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immediate vesting of pre-Merger equity and cash performance unit awards;

pro rata vesting of restricted stock units granted in connection with the Merger based on the portion of four-year vesting period that has elapsed;

replacement coverage for company-provided group medical, dental and life insurance policies for up to three years after the Merger;

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

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

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

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

To constitute a Covered Termination for purposes of the benefits described above, the termination must be either by us without cause, as defined in the agreement, or by the executive with good reason, as defined in the agreement (except that Mr. Hogan has waived the portion of the definition of good reason that would be triggered by a voluntary termination of his employment by him for any reason within 30 days following the first anniversary of the Merger), in either case within three years (for Messrs. Hogan, Schrock and Koury) or two years (for Messrs. Stauch and Ms. Lageson) following the Merger. Mr. Schrock's retirement effective December 31, 2013 was treated as a Covered Termination for purposes of the benefits described above.

Benefits Upon a Post-Merger Change in Control and Covered Termination

The benefits under the change in control agreements that could be triggered by a post-Merger change in control and a covered termination in connection with such a change in control include:

upon any post-Merger change in control:

incentive compensation awards for the year in question to be paid at target;

immediate vesting of all unvested stock options and termination of all restrictions on restricted stock awards;

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

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

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

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

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

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

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

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

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

Agreement with Chief Executive Officer

In March 2013, we entered into an agreement with our Chief Executive Officer providing that, if his employment is involuntarily terminated, other than for death, disability or for cause, or if he terminates his employment for conditions that constitute good reason, in each case prior September 28, 2015, all of his then outstanding unvested stock options and restricted stock units granted after the Merger would immediately vest; provided that in the case of restricted stock units that are conditioned on the attainment of certain performance goals, such restricted stock units will become fully vested only if such performance goals are satisfied. In addition, the performance conditions with respect to his cash-settled performance awards granted after the Merger would be deemed satisfied and the units would be paid out at target following the end of the applicable performance period, except that certain performance goals must be satisfied for any payment to be made with respect to such units. Under this agreement, cause and good reason are defined in the same manner as in our Chief Executive Officer's change in control agreement as described above under *Change in Control Agreements*, except that periods determined with reference to a change in control in the change in control agreement are instead determined with reference to the Merger, and good reason in the agreement does not include a voluntary termination for any reason within a 30 day window period. The agreement also requires our Chief Executive Officer to maintain the confidentiality of our information during and following employment and to refrain from competitive activities for a period of one year following termination of employment with us.

Change in Control and Termination Provisions of Incentive Plans

Change in Control Provisions

The 2012 Plan provides that, upon a change in control, unless an agreement between us and the executive provides for a more favorable result to the executive:

all outstanding options, restricted stock and restricted stock units that are not performance awards are immediately vested;

all outstanding performance awards (other than annual incentive awards) are paid in full based on performance at the better of target or trend; and

all outstanding annual incentive awards are paid based on full satisfaction of the performance goals.

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

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

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

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

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

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

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

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

Termination Provisions

Retirement. If any of the Named Executive Officers terminates employment in a retirement with at least 10 years of service, the 2012 Plan and its predecessor plans provide as follows:

If the retirement is prior to age 60: unvested options are forfeited; restricted stock and restricted stock units (that are not performance awards or for which any performance goals have been satisfied) vest pro rata; cash performance awards are paid on a pro rata basis based on actual performance; or

If the retirement is after age 60: options continue to vest for 5 years; restricted stock and restricted stock units (that are not performance awards or for which any performance goals have been satisfied) vest in full; cash performance awards are paid in full based on actual performance.

Death or Disability. If any of the Named Executive Officers terminates employment as a result of death or disability, the 2012 Plan and its predecessor plans provide that options, restricted stock and restricted stock units are immediately vested; cash performance awards are paid in full based on actual performance.

Termination Without Cause or for Good Reason. If any of the Named Executive Officers terminates employment in an involuntary termination for a reason other than cause, death or disability, or in a voluntarily termination for good reason, then the employee's outstanding awards under the 2012 Plan will be eligible for continued or accelerated vesting, as described below. A termination of employment under these circumstances is referred to in the 2012 Plan as a covered termination. For a Named Executive Officer's termination to be considered a covered termination, the officer must execute a general release in a form and manner determined by us. Upon a covered termination, the 2012 Plan provides that awards held by a Board-appointed corporate officer, including such a Named Executive Officer, will be treated as follows:

Stock options will remain outstanding, and will continue to vest in accordance with their terms as if the officer had remained in employment, until the earlier of the expiration date of the stock option and the fifth anniversary of the covered termination.

Restricted stock and restricted stock units (that are not performance awards or for which any performance goals have been satisfied) will vest in full.

Performance awards, including restricted stock and restricted stock units that have performance-based vesting, will be paid following the end of the performance period based on achievement of the performance goals established for the awards as if the employee had not experienced a covered termination.

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Under the 2012 Plan, the term "cause" means an act or omission by the officer as is determined by the Plan administrator to constitute cause for termination, including but not limited to any of the following:

a material violation of any company policy;

embezzlement from, or theft of property belonging to, us or any of our affiliates;

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willful failure to perform, or gross negligence in the performance of, or failure to perform, assigned duties; or

other intentional misconduct, whether related to employment or otherwise, which has, or has the potential to have, a material adverse effect on our business.

Under the 2012 Plan, the term "good reason" means:

any material breach by us of the terms of any employment agreement;

any reduction in base salary or percentage of base salary available as incentive compensation or bonus opportunity, or any material reduction in nonqualified deferred compensation retirement benefits;

a good faith determination by the officer that there has been a material adverse change in the officer's working conditions or status;

a relocation of the principal place of employment to a location more than 50 miles; or

an increase of 20% or more in travel requirements.

For an event to constitute good reason, we must receive written notice and an opportunity to cure.

Benefits pursuant to these incentive plans are generally applicable to all other participants who meet the requisite criteria as well as to the Named Executive Officers.

Quantification of Compensation Payable upon a Change in Control or Termination of Employment

The amount of compensation payable to each Named Executive Officer upon a Covered Termination in the absence of a change in control (other than the Merger) is shown below. As required by the SEC rules, the amounts shown assume that such termination was effective as of December 31, 2013, and thus are estimates of the amounts that would be paid out to the executives upon a Covered Termination. The actual amounts to be paid out can only be determined in connection with a Covered Termination. Mr. Schrock retired effective December 31, 2013, and such retirement was treated as a Covered Termination. Accordingly, the amounts shown below for Mr. Schrock are based on actual amounts in connection with his retirement calculated as of December 31, 2013.

Executive	Cash Termination Payment	Stock Option Vesting	Restricted Stock Unit Vesting	Cash Settled Performance Unit Vesting	SERP & Related Pension	Incentive Compensation	Outplacement	Legal & Accounting Advisors	Medical, Dental, Life Insurance	Excise Tax Gross Up	Total
Randall J. Hogan	\$ 9,603,384	\$14,011,602	\$ 26,612,563	\$ 6,100,332	-	-	\$ 50,000	\$ 15,000	\$ 29,404	\$ (63,560) ⁽¹⁾	\$ 56,358,725
John L. Stauch	\$ 2,921,250	\$3,889,203	\$ 8,024,010	\$ 1,775,001	-	-	\$ 50,000	\$ 15,000	\$ 12,995	\$ 3,196,954	\$ 19,884,413
Michael V. Schrock	\$ 3,270,730	\$3,418,827	\$ 2,183,847	\$ 3,239,448	-	-	\$ 50,000	\$ 15,000	\$ 29,045	-	\$ 12,206,897
Frederick S. Koury	\$ 1,912,500	\$2,162,139	\$ 4,611,190	\$ 980,000	-	-	\$ 45,000	\$ 15,000	\$ 18,648	\$ 1,718,130	\$ 11,462,607
Angela D. Lageson	\$ 2,061,250	\$1,795,799	\$ 3,633,946	\$ 816,667	\$ 576,506	-	\$ 48,500	\$ 15,000	\$ 11,683	\$ 2,198,692	\$ 11,158,043

(1) Reflects a reduction mandated by the change in control agreement in the event that the excise tax on certain parachute payments can be avoided by reducing the amount of the payments by not more than 10%.

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The amount of compensation payable to each Named Executive Officer (other than Mr. Schrock) upon a post-Merger change in control without a termination or upon a post-Merger change in control followed by a termination of the executive by us other than for death, disability or cause or by the executive for good reason is shown below. Because Mr. Schrock retired effective December 31, 2013, he is not included in the table below. The amounts shown assume that such termination was effective as of December 31, 2013, and thus are estimates

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of the amounts that would be paid out to the executives upon a change in control or their termination following a change in control. The actual amounts to be paid out can only be determined in connection with a change in control or termination following a change in control.

Executive	Cash Termination Payment	Stock Option Vesting	Restricted Stock Unit Vesting	Cash Settled Performance Unit Vesting	SERP & Related Pension	Incentive Compensation	Outplacement	Legal & Accounting Advisors	Medical, Dental, Life Insurance	Total: Change in Control	Excise Tax Gross Up	Total: Change in Control Followed by Termination
	(2)	(1)	(1)	(1)	(2)	(1)	(2)	(2)	(2)	(1)	(2)	(2)
Randall J. Hogan	\$ 9,156,420	\$ 14,011,602	\$ 26,612,616	\$ 6,100,332	-	\$ 1,878,240	\$ 50,000	\$ 15,000	\$ 50,617	\$ 48,602,790	\$ (825,400) ⁽³⁾	\$ 57,049,427
John L. Stauch	\$ 2,921,250	\$ 3,889,203	\$ 8,024,010	\$ 1,775,000	-	\$ 553,500	\$ 50,000	\$ 15,000	\$ 35,004	\$ 14,241,713	\$ 2,553,604	\$ 19,816,571
Frederick S. Koury	\$ 1,912,500	\$ 2,162,139	\$ 4,611,190	\$ 980,000	-	\$ 315,000	\$ 45,000	\$ 15,000	\$ 32,107	\$ 8,068,329	-	\$ 10,072,936
Angela D. Lageson	\$ 2,061,250	\$ 1,795,799	\$ 3,633,946	\$ 816,667	\$ 576,506	\$ 339,500	\$ 48,500	\$ 15,000	\$ 31,471	\$ 6,585,912	\$ 2,123,878	\$ 11,442,517

(1) Triggered solely upon a post-Merger change in control.

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

(3) Reflects a reduction mandated by the change in control agreement in the event that the excise tax on certain parachute payments can be avoided by reducing the amount of the payments by not more than 10%.

The amounts above assume that:

our common shares were valued at \$77.67, the closing market price for our common shares on December 31, 2013;

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

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

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

Under certain circumstances, as reflected above, we may pay to an executive covered by a change in control agreement an excise tax gross up. In determining the amount of any such gross up included in the tables above, we made the following material assumptions: an excise tax rate of 20% under Section 280G of the Code, a combined federal and state individual tax rate of 41.9%, and we would be able to overcome any presumption that grants of stock options or restricted stock units in 2013 were made in contemplation of a change in control pursuant to regulations promulgated under the Code. In addition, no excise tax gross up will be made if the portion of the payments treated as parachute payments received by an executive in the event of a change in control can be reduced by not more than 10% and escape an excise tax. In that event, the payments will be reduced to the highest qualifying amount and no gross up will be paid. Furthermore, except for Mr. Schrock, it was assumed that no value will be attributed to any non-competition agreement. At the time of any such change in control or termination, a value

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may be attributed, which would result in a reduction of amounts subject to the excise tax. In the case of Mr. Schrock, the calculation was done taking into account the value of his non-competition agreement determined in connection with his retirement.

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RISK CONSIDERATIONS IN COMPENSATION DECISIONS

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

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

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

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

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

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

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

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

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

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

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PROPOSAL 9

Advisory Vote to Approve the Compensation of the Named Executive Officers

Proposal of the Board

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

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

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

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

With these compensation objectives in mind, the Compensation Committee has taken compensation actions including the following:

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

Making a significant portion of total compensation at risk if certain performance goals are not satisfied or otherwise subject to our future performance to further align the incentives of our Named Executive Officers with the interests of our shareholders.

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

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

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The Board and the Compensation Committee request the support of our shareholders for the compensation of the Named Executive Officers as disclosed in this Proxy Statement. This advisory vote to approve the compensation of the Named Executive Officers gives our shareholders the opportunity to make their opinions known about our executive compensation programs. As we seek to align our executive compensation programs with the interests of our shareholders while continuing to retain key talented executives that drive our company's success, we ask that our shareholders approve the compensation of the Named Executive Officers as disclosed in this Proxy Statement.

Vote Requirement

The approval by advisory vote of the compensation of the Named Executive Officers requires the affirmative vote of an absolute majority of the votes represented (in person or by proxy) at the Annual General Meeting. This vote on the compensation of the Named Executive Officers is advisory and not binding on us, the Board or the Compensation Committee. Although the outcome of this advisory vote on the compensation of the Named Executive Officers is non-binding, the Board and the Compensation Committee will review and consider the outcome of this vote when making future compensation decisions for the Named Executive Officers.

EACH OF THE BOARD AND THE COMPENSATION COMMITTEE UNANIMOUSLY RECOMMENDS A VOTE FOR THE APPROVAL BY ADVISORY VOTE OF THE COMPENSATION OF THE NAMED EXECUTIVE OFFICERS.

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PROPOSAL 10

Approval of the Renewal of the Authorized Share Capital of Pentair Ltd.

Proposal of the Board

The Board proposes that its authority to issue shares out of our authorized capital be reapproved and extended for an additional period ending two years after the date of the Annual General Meeting (May 20, 2016, assuming no postponement or adjournment of the Annual General Meeting), by the shareholders' approval of an amendment to article 4, paragraph 1 of our Articles of Association. This proposed amendment to article 4, paragraph 1 of our Articles of Association is set forth below under "Text of Shareholder Resolution."

The Board believes it is advisable and in the best interests of the company to authorize the Board to be reauthorized to issue new authorized capital in accordance with the provisions of the Swiss Code of Obligations and our Articles of Association. Our Articles of Association currently authorize the Board to issue new authorized capital at any time during the two-year period ending on September 14, 2014, and thereby increase the share capital, without shareholder approval, by a maximum amount of 50% of the share capital at the time of the increase. The Swiss Code of Obligations provides that the shareholders may, by amendment to the Articles of Association, authorize the Board to increase the share capital for a period of no longer than two years from such approval. The amount of authorized capital set forth in article 4, paragraph 1 would be reduced during the two-year period ending on May 20, 2016 proportionately to any reduction to the company's total authorized share capital approved by the shareholders and effected during this two-year period.

If this proposal is approved, we would nevertheless seek shareholder approval for share issuances to the extent required under NYSE rules. Under current NYSE rules, shareholder approval is generally required, with certain enumerated exceptions, to issue common shares or securities convertible into or exercisable for common shares in one or a series of related transactions if such common shares represent 20% or more of the voting power or outstanding common shares of the company. NYSE rules also require shareholder approval for an issuance of shares that would result in a change in control of the company, as well as for stock issuances in connection with certain benefit plans or related party transactions.

Text of Shareholder Resolution

RESOLVED, that the meeting of shareholders approves the amendment of article 4, paragraph 1 of the Articles of Association of Pentair Ltd. as follows:

Previous version

Article 4 Authorized Share Capital

(1) The Board of Directors is authorized to increase the share capital, in one or several steps until September 14, 2014, by a maximum amount of CHF 53,250,000 by issuing a maximum of 106,500,000 fully paid up registered shares with a par value of CHF 0.50 each. Without limitation to the generality of the foregoing, increases of the share capital through underwritten offerings and/or in partial amounts are permitted.

Proposed new version

Article 4 Authorized Share Capital

(1) The Board of Directors is authorized to increase the share capital, in one or several steps until May 20, 2016, by a maximum amount of CHF 53,250,000 by issuing a maximum of 106,500,000 fully paid up registered shares with a par value of CHF 0.50 each. Without limitation to the generality of the foregoing, increases of the share capital through underwritten offerings and/or in partial amounts are permitted.

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Vote Requirement

The approval of the renewal of the authorized share capital of Pentair Ltd. requires the affirmative vote of two-thirds of the votes represented (in person or by proxy) at the Annual General Meeting.

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR THE RENEWAL OF THE AUTHORIZED SHARE CAPITAL OF PENTAIR LTD.

Table of Contents**DIRECTOR COMPENSATION**

Director compensation is determined by the Governance Committee of the Board of Directors of Pentair Ltd. We use a combination of cash and equity-based incentive compensation to attract and retain qualified directors. Compensation of our directors reflects our belief that a significant portion of directors' compensation should be tied to long-term growth in shareholder value.

Mr. Hogan, our only employee-director, is not and will not be separately compensated for service as a member of the Board.

Director Fees

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

Board Retainer	\$ 123,000
Lead Director Supplemental Retainer	40,000
Audit and Finance Committee Chair Supplemental Retainer	25,000
Compensation Committee Chair Supplemental Retainer	25,000
Governance Committee Chair Supplemental Retainer	20,000
Audit and Finance Committee Retainer	23,500
Other Committee Retainer (per committee)	11,750

Equity Awards

Non-employee directors also receive a grant of options and restricted stock units under the 2012 Plan as a part of their compensation. Options granted are exercisable at the closing price of our stock on the date of grant, have a ten-year term and vest in one-third increments on the first, second and third anniversaries of the grant date. Restricted stock units granted vest on the first anniversary of the grant date. Each restricted stock unit represents the right to receive one of our common shares upon vesting and includes one dividend equivalent unit, which entitles the holder to all cash dividends declared on one of our common shares from and after the date of grant. All of our non-employee directors received option and restricted stock unit grants in 2013.

Stock Ownership Guidelines

We maintain stock ownership guidelines for our non-employee directors. Prior to the Merger in 2012, non-employee directors were expected to acquire and hold our common shares or stock equivalents having a value equal to five times the annual retainer for non-employee directors within five years after election. After the Merger, the annual retainer for non-employee directors increased as a result of changes to our director compensation program in connection with the Merger. This increase in the annual retainer also increased the amounts required to satisfy our stock ownership guidelines, and we therefore modified our stock ownership guidelines to give non-employee directors up to five years after the Merger to meet the increased ownership levels.

Table of Contents**Stock Ownership for the Currently-Serving Directors as of December 31, 2013**

	Share	12/31/13	Ownership	Meets
	Ownership	Market Value (\$) ⁽¹⁾	Guideline (\$)	Guideline
Leslie Abi-Karam	7,502	582,680	615,000	No ⁽²⁾
Glynis A. Bryan	20,200	1,568,934	615,000	Yes
Jerry W. Burris	12,581	977,166	615,000	Yes
Carol Anthony (John) Davidson	8,815	684,661	615,000	Yes
T. Michael Glenn	14,532	1,128,700	615,000	Yes
Charles A. Haggerty	178,551	13,868,056	615,000	Yes
David H. Y. Ho	33,870	2,630,683	615,000	Yes
David A. Jones	33,846	2,628,819	615,000	Yes
Ronald L. Merriman	18,416	1,430,390	615,000	Yes
William T. Monahan	47,907	3,720,937	615,000	Yes

(1) Based on the closing market price for our common shares on December 31, 2013 of \$77.67.

(2) Non-employee directors have until five years after the closing of the Merger to meet the stock ownership requirement.

Table of Contents**Director Compensation Table**

The table below summarizes the compensation that we paid to non-employee directors for the year ended December 31, 2013.

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Name (1)	Fees Earned or Paid in Cash	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Deferred Compensation Earnings	All Other Compensation	Total
	(\$)	\$(2)	\$(3)	(\$)	(\$)	\$(4)	(\$)
Leslie Abi-Karam	146,500	51,976	55,049	-	-	2,235	255,760
Glynis A. Bryan	166,500	51,976	55,049	-	-	292	273,817
Jerry W. Burris	146,500	51,976	55,049	-	-	3,280	256,805
Carol Anthony (John) Davidson	140,625	51,976	55,049	-	-	1,917	249,567
T. Michael Glenn	146,500	51,976	55,049	-	-	294	253,819
Charles A. Haggerty	146,500	51,976	55,049	-	-	2,374	255,899
David H. Y. Ho	146,500	51,976	55,049	-	-	290	253,815
David A. Jones	171,500	51,976	55,049	-	-	2,393	280,918
Ronald L. Merriman	171,500	51,976	55,049	-	-	1,810	280,335
William T. Monahan	186,500	51,976	55,049	-	-	1,361	294,886

- (1) Randall Hogan, our Chief Executive Officer, is not included in this table as he is our employee and receives no compensation for his services as a director. The compensation received by Mr. Hogan as our employee during and for 2013 is shown under Executive Compensation Summary Compensation Table.
- (2) The amounts in column (c) represent the aggregate grant date fair value, computed in accordance with ASC 718, of restricted stock units granted during the year ended December 31, 2013. Assumptions used in the calculation of these amounts are included in footnote 14 to our audited financial statements for the year ended December 31, 2013 included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 25, 2014. As of December 31, 2013, each director had 1,027 unvested restricted stock units. In addition, as of December 31, 2013, each director had the following number of deferred share units under our Compensation Plan for Non-Employee Directors: Leslie Abi-Karam: 3,282; Glynis A. Bryan: 4,668; Jerry W. Burris: 0; Carol Anthony (John) Davidson: 0; T. Michael Glenn: 952; Charles A. Haggerty: 67,445; David H. Y. Ho: 0; David A. Jones: 27,019; Ronald L. Merriman: 557; and William T. Monahan: 12,023.
- (3) The amounts in column (d) represent the aggregate grant date fair value, computed in accordance with ASC 718, of stock options granted during the year ended December 31, 2013. Assumptions used in the calculation of these amounts are included in footnote 14 to our audited financial statements for the year ended December 31, 2013 included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 25, 2014. As of December 31, 2013, each director had the following number of outstanding stock options: Leslie Abi-Karam: 42,144; Glynis A. Bryan: 77,877; Jerry W. Burris: 40,677; Carol Anthony (John) Davidson: 29,237; T. Michael Glenn: 57,877; Charles A. Haggerty: 74,403; David H. Y. Ho: 3,963; David A. Jones: 60,677; Ronald L. Merriman: 65,877; and William T. Monahan: 77,877.
- (4) The amounts in column (g) represent expenses related to director spousal or companion travel in conjunction with the director's attendance at Board meetings and the cost of a holiday gift.

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The following table contains information concerning the beneficial ownership of our common shares as of February 14, 2014, by each director, by each executive officer listed in the Summary Compensation Table, and by all directors and executive officers as a group. Based on filings with the SEC, the following table also contains information concerning each person we know who beneficially owned more than 5% of our common shares as of December 31, 2013.

Name of Beneficial Owner	Common Stock ⁽¹⁾	Share Units ⁽²⁾	Right to Acquire within		ESOP Stock ⁽⁴⁾	Total	Percent of Class ⁽⁵⁾
			60 days ⁽³⁾				
Leslie Abi-Karam	3,963	3,294	39,502	-	-	46,759	
Glynis A. Bryan	15,275	4,684	75,235	-	-	95,194	
Jerry W. Burriss	12,324	-	38,035	-	-	50,359	
Carol Anthony (John) Davidson	8,558	-	26,595	-	-	35,153	
T. Michael Glenn	13,323	955	55,235	-	-	69,513	
Charles A. Haggerty	114,828	67,670	69,502	-	-	252,000	
David H. Y. Ho	33,419	-	1,321	-	-	34,740	
Randall J. Hogan	312,247	55,962	1,887,560	1,813	-	2,257,582	1.2%
David A. Jones	6,570	27,110	58,035	-	-	91,715	
Frederick S. Koury	55,505	-	202,730	715	-	258,950	
Angela D. Lageson	5,887	3,225	103,748	1,013	-	113,873	
Ronald L. Merriman	16,407	1,758	43,235	-	-	61,400	
William T. Monahan	35,627	12,063	75,235	-	-	122,925	
Michael V. Schrock ⁽⁶⁾	130,497	27,482	442,479	1,813	-	602,271	
John L. Stauch	61,101	39,492	344,182	482	-	445,257	
Directors and executive officers as a group (23 persons)	921,002	243,695	3,775,813	19,990	-	4,960,500	2.6%
The Vanguard Group ⁽⁷⁾	14,883,852	-	-	-	-	14,883,852	7.6%
BlackRock, Inc. ⁽⁸⁾	10,691,464	-	-	-	-	10,691,464	5.5%
State Street Corporation ⁽⁹⁾	10,293,747	-	-	-	-	10,293,747	5.3%
Waddell & Reed Financial, Inc. ⁽¹⁰⁾	11,555,752	-	-	-	-	11,555,752	5.9%

- (1) Unless otherwise noted, all shares are held either directly or indirectly by individuals possessing sole voting and investment power with respect to such shares. Beneficial ownership of an immaterial number of shares held by spouses or trusts has been disclaimed in some instances.
- (2) Represents for non-employee directors deferred share units held under our Compensation Plan for Non-Employee Directors. No director has voting or investment power related to these share units. Represents for executive officers restricted stock units, receipt of which was deferred by the executive officer under the company's Non-Qualified Deferred Compensation Plan and over which the executive officers have no voting or investment power.
- (3) Represents, for Mr. Hogan, stock options exercisable within 60 days from February 14, 2014 and, for Ms. Lageson, restricted stock units to vest within 60 days from February 14, 2014.
- (4) Represents shares owned as a participant in the RSIP/ESOP Plan. As of February 14, 2014, Fidelity Management Trust Company (Fidelity), the Trustee of the RSIP/ESOP Plan, held 2,230,790 common shares (1.1%). Fidelity disclaims beneficial ownership of all shares. The RSIP/ESOP Plan participants have the right to direct the Trustee to vote their shares, although participants have no investment power over such shares. The Trustee, except as otherwise required by law, votes the shares for which it has received no direction from participants, in the same proportion on each issue as it votes those shares for which it has received voting directions from participants.

(5) Less than 1% unless otherwise indicated.

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- (6) Mr. Schrock retired effective December 31, 2013.

- (7) Information derived from a Schedule 13G filed with the Securities and Exchange Commission on February 11, 2014. The address of The Vanguard Group is 100 Vanguard Boulevard, Malvern, PA 19355. As of December 31, 2013, The Vanguard Group had sole voting power for 324,882 common shares, sole dispositive power for 14,581,697 common shares and shared dispositive power for 302,155 common shares.

- (8) Information derived from a Schedule 13G filed with the Securities and Exchange Commission on February 3, 2014. The address of BlackRock, Inc. is 40 East 52nd Street, New York, NY 10022. As of December 31, 2013, BlackRock, Inc. had sole voting power for 8,887,414 common shares and sole dispositive power for 10,691,464 common shares.

- (9) Information derived from a Schedule 13G filed with the Securities and Exchange Commission on February 4, 2014. The address of State Street Corporation is State Street Financial Center, One Lincoln Street, Boston, MA 02111. As of December 31, 2013, State Street Corporation had shared voting power and shared dispositive power for 10,293,747 common shares.

- (10) Information derived from a Schedule 13G filed with the Securities and Exchange Commission on February 7, 2014. The address of Waddell & Reed Financial, Inc. is 6300 Lamar Avenue, Overland Park, KS 66202. As of December 31, 2013, Waddell & Reed Financial, Inc. had sole voting power and sole dispositive power for 11,555,752 common shares. As of December 31, 2013, each of Waddell & Reed Financial Services, Inc., Waddell & Reed, Inc. and Waddell & Reed Investment Management Company had sole voting power and sole dispositive power for 7,968,695 common shares. As of December 31, 2013, Ivy Investment Management Company had sole voting power and sole dispositive power for 3,587,057 common shares.

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AUDIT AND FINANCE COMMITTEE REPORT

In connection with the financial statements for the year ended December 31, 2013, the Audit and Finance Committee has:

reviewed and discussed our audited U.S. GAAP consolidated financial statements and Swiss statutory financial statements for the year ended December 31, 2013 with management;

discussed with Deloitte & Touche LLP, our independent registered public accounting firm, the matters required to be discussed by Auditing Standard No. 16 and Rule 2-07 of SEC Regulation S-X;

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

received an unqualified opinion from Deloitte AG that the Swiss statutory financial statements for the year ended December 31, 2013 comply with Swiss law and our Articles of Association.

Based upon these reviews and discussions, the Audit and Finance Committee recommended to the Board that our audited consolidated financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2013 filed with the Securities and Exchange Commission. The Audit and Finance Committee further recommended that our audited statutory financial statements, together with our audited consolidated financial statements, be included in our annual report to shareholders for the year ended December 31, 2013. The Board has approved these inclusions.

THE AUDIT AND FINANCE COMMITTEE

Ronald L. Merriman, Chair

Leslie Abi-Karam

Jerry W. Burris

Charles A. Haggerty

David H. Y. Ho

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

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

We have reviewed copies of reports furnished to us, or written representations that no reports were required. Based solely on these reports, we believe that during 2013 our executive officers and directors complied with all such filing requirements.

SHAREHOLDER PROPOSALS FOR THE 2015 ANNUAL GENERAL MEETING OF SHAREHOLDERS

The deadline for submitting a shareholder proposal for inclusion in our proxy statement and form of proxy for our 2015 Annual General Meeting of shareholders pursuant to Rule 14a-8 of the SEC is December 1, 2014. A shareholder who otherwise intends to present business at the 2015 Annual General Meeting must comply with the requirements set forth in our Articles of Association. The Articles of Association state, among other things, that to bring business before an annual general meeting, a shareholder must give written notice that complies with the Articles of Association to our Corporate Secretary not less than 45 days nor more than 70 days prior to the first annual anniversary of the date when we first

mailed our proxy statement to shareholders in

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connection with the immediately preceding annual general meeting. Accordingly, we must receive notice of a shareholder proposal submitted under our Articles of Association between January 20, 2015 and February 14, 2015. If the notice is received after February 14, 2015, then the notice will be considered untimely and we are not required to present such proposal at the 2015 Annual General Meeting. If the Board chooses to present a proposal submitted under our Articles of Association at the 2015 Annual General Meeting, then the persons named in the proxies solicited by the Board for the 2015 Annual General Meeting may exercise discretionary voting power with respect to such proposal. Shareholder proposals should be sent to us at our principal executive offices: Freier Platz 10, CH-8200, Schaffhausen, Switzerland, Attention: Corporate Secretary.

According to our Articles of Association, new proposals or motions with regard to existing agenda items are not subject to such restrictions and can be made at the meeting by each shareholder attending or represented by proxy.

OTHER BUSINESS

Our management does not know of any other matter to be presented for action at the Annual General Meeting. However, if any other matter should be properly presented at the Annual General Meeting, you instruct the independent proxy, in the absence of other specific instructions, to vote your shares in accordance with the recommendations of the Board.

2013 ANNUAL REPORT ON FORM 10-K

Any shareholder wishing to review, without charge, a copy of our 2013 Annual Report on Form 10-K (without exhibits) filed with the SEC should write to us at our principal executive offices: Freier Platz 10, CH-8200, Schaffhausen, Switzerland, Attention: Corporate Secretary.

REDUCE DUPLICATE MAILINGS

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

If you wish to receive separate copies of each proxy statement and annual report, please notify us by writing or calling Pentair Ltd., Freier Platz 10, CH-8200, Schaffhausen, Switzerland, Attention: Corporate Secretary, Telephone: 41-52-630-48-00 or (800) 328-9626.

If you are receiving duplicate mailings, you may authorize us to discontinue mailings of multiple proxy statements and annual reports. To discontinue duplicate mailings, notify us by writing or calling Pentair Ltd., Freier Platz 10, CH-8200, Schaffhausen, Switzerland, Attention: Corporate Secretary, Telephone: 41-52-630-48-00 or (800) 328-9626.

Table of Contents**APPENDIX A****Reconciliation of GAAP to Non-GAAP Financial Measures****Pentair Ltd. and Subsidiaries****Reconciliation of the GAAP As Reported year ended December 31, 2013 and 2012 to the Adjusted non-GAAP excluding the effect of 2013 and 2012 adjustments (Unaudited)**

<i>In millions, except per-share data</i>	2013	2012
Net sales	\$ 7,479.7	\$ 4,416.1
Operating income (loss) - as reported	774.0	(43.1)
<i>% of net sales</i>	<i>10.3%</i>	<i>(1.0)%</i>
Adjustments:		
Deal related costs and expenses	-	82.8
Inventory step-up and customer backlog	86.9	179.6
Restructuring and other	130.1	66.8
Pension and other post-retirement mark-to-market (gain) loss	(63.2)	141.7
Trade name impairment	11.0	60.7
Redomicile related expenses	5.4	-
Operating income-as adjusted	944.2	488.5
<i>% of net sales</i>	<i>12.6%</i>	<i>11.1%</i>
Net income (loss) attributable to Pentair Ltd. - as reported	536.8	(107.2)
Gain on sale of businesses, net of tax	(14.7)	-
Bond redemption and interest expense, net of tax	1.6	52.9
Adjustments, net of tax	133.4	367.1
Net income attributable to Pentair Ltd. - as adjusted	\$ 657.1	\$ 312.8
Earnings per common share attributable to Pentair Ltd. - diluted		
Diluted earnings (loss) per common share - as reported	\$ 2.62	\$ (0.84)
Adjustments	0.59	3.23
Diluted earnings per common share - as adjusted	\$ 3.21	\$ 2.39

Table of Contents**Pentair Ltd. and Subsidiaries**

Reconciliation of the Adjusted non-GAAP year ended December 31, 2012 to the Adjusted Pro Forma Results including the effect of 2012 pro forma adjustments (Unaudited)

<i>In millions, except per-share data</i>	Pro Forma Adjustments				Adjusted Pro Forma Results
	Historical Adjusted Results	Historical Flow Control Acquisition	Depreciation & Amortization	Other Adjustments	
Net sales	\$ 4,416.1	\$ 2,996.5	\$ -	\$ (130.3)	\$ 7,282.3
Operating income (loss)	488.5	388.3	(51.6)	(34.1)	791.1
Net income (loss) attributable to Pentair Ltd.	312.8	291.3	(38.7)	(23.0)	542.4
Diluted earnings (loss) per common share	2.39	1.36	(0.18)	(1.03)	2.54

Note: Other adjustments represent the elimination of certain large projects and sales to sanctioned countries (which were terminated prior to the completion of the Flow Control acquisition), changes in corporate allocation assumptions, income taxes and share count.

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***PENTAIR LTD.
C/O BROADRIDGE
51 MERCEDES WAY
EDGEWOOD, NY 11717***

VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until noon, Eastern Standard Time on May 19, 2014. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

VOTE BY MAIL

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

In order to assure that your proxy card is tabulated in time to be voted at the Meeting, you must return your proxy card at the above address by noon, Eastern Standard Time on May 19, 2014.

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

M67185-P47671

KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

PENTAIR LTD.

The Board of Directors recommends you vote FOR each of the following proposals:

For Against Abstain

1. To re-elect the following nine directors with terms expiring at the 2015 Annual General Meeting of Shareholders:

1a. Glynis A. Bryan

.. ..

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1b.	Jerry W. Burris
1c.	Carol Anthony (John) Davidson
1d.	T. Michael Glenn
1e.	David H.Y. Ho
1f.	Randall J. Hogan	..	..	..
1g.	David A. Jones	..	..	..
1h.	Ronald L. Merriman	..	..	..
1i.	William T. Monahan	..	..	..
2.	To elect Randall J. Hogan as the Chairman of the Board of Directors	..	..	..
3.	To elect the members of the Compensation Committee:	..	..	..
3a.	David A. Jones	..	..	..
3b.	Glynis A. Bryan	..	..	..
3c.	T. Michael Glenn	..	..	..
3d.	William T. Monahan	..	..	..

		For	Against	Abstain
4.	To elect Proxy Voting Services GmbH as the independent proxy	..	..	..
5.	To approve the 2013 annual report of Pentair Ltd., the statutory financial statements of Pentair Ltd. for the year ended December 31, 2013 and the consolidated financial statements of Pentair Ltd. for the year ended December 31, 2013	..	..	..
6.	To discharge the Board of Directors and executive officers of Pentair Ltd. from liability for the year ended December 31, 2013	..	..	..
7.	To elect auditors as follows:			
7a.	To re-elect Deloitte AG as statutory auditors until the next Annual General Meeting	..	..	..
7b.	To ratify appointment of Deloitte & Touche LLP as independent registered public accounting firm for the year ending December 31, 2014	..	..	..
7c.	To elect PricewaterhouseCoopers AG as special auditors until the next Annual General Meeting	..	..	..
8.	To approve the following, as proposed by the Board of Directors:			
8a.	To approve the appropriation of results for the year ended December 31, 2013	..	..	..
8b.	To approve the conversion and appropriation of reserves from capital contributions to distribute an ordinary cash dividend
9.	

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To approve by advisory vote the compensation of the named executive officers as disclosed in the Proxy Statement

10. To approve the renewal of the authorized capital of Pentair Ltd.

For address changes and/or comments, please check this box and write them on the back where indicated. ..

The signatory will attend the Annual General Meeting on May 20, 2014 personally.

Yes No

This proxy, when properly executed, will be voted in the manner directed above. If you return a properly executed proxy but do not provide specific voting instructions, you instruct the independent proxy or, for purposes of the Pentair ESOP, Fidelity Trust Management Company, to vote the shares in accordance with the recommendations of the Board of Directors. Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.

Signature [PLEASE SIGN
WITHIN BOX]

Date

Signature (Joint Owners)

Date

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Important Notice Regarding the Availability of Proxy Materials for the Annual General Meeting:

The Notice and Proxy Statement and Annual Report are available at www.proxyvote.com.

M67186-P47671

PENTAIR LTD.

Annual General Meeting of Shareholders

May 20, 2014, 8:00 AM Central European Time

This proxy is solicited by the Board of Directors

The signatory, revoking any proxy heretofore given in connection with the Meeting (as defined below), hereby appoints the independent proxy, Proxy Voting Services GmbH, and hereby authorizes the independent proxy to represent and to vote at the Meeting, as designated on the reverse side of this card, all common shares of Pentair Ltd. that the signatory is entitled to vote at the Annual General Meeting of Shareholders to be held at 8:00 AM, Central European Time, on May 20, 2014, at the Park Hyatt Zürich, Beethoven-Strasse 21, 8002 Zürich, Switzerland, and any adjournment or postponement thereof (the Meeting).

If the signatory is a participant in the Pentair Retirement Savings and Stock Incentive Plan (Pentair ESOP), the signatory hereby directs Fidelity Management Trust Company as Pentair ESOP Trustee, to vote at the Meeting, as directed on the reverse side of this card, all of the common shares of Pentair Ltd. allocated to the signatory's account in the Pentair ESOP as of April 30, 2014.

If the signatory is a participant in the Pentair Ltd. Employee Stock Purchase and Bonus Plan or the Pentair Ltd. International Stock Purchase and Bonus Plan (the Purchase Plans), the signatory, revoking any proxy heretofore given in connection with the Meeting, hereby appoints the independent proxy, Proxy Voting Services GmbH, and hereby authorizes the independent proxy to represent and to vote at the Meeting, as designated on the reverse side of this card, all of the common shares of Pentair Ltd. allocated to the signatory's account in the Purchase Plans as of April 30, 2014.

In the event of other agenda items or proposals during the Meeting on which voting is permissible under Swiss law, you instruct the independent proxy, in the absence of other specific instructions, to vote the shares in accordance with the Board of Directors' recommendations.

Address Changes/Comments:

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

Continued and to be signed on reverse side