ENPRO INDUSTRIES, INC
Form DEF 14A
March 24, 2009

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

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

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

Filed by the Registrant þ

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material under Rule 14a-12

**EnPro Industries, Inc.**
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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5605 Carnegie Boulevard, Suite 500
Charlotte, North Carolina 28209

March 24, 2009

To Our Shareholders:

On behalf of the board of directors and management of EnPro Industries, Inc., I cordially invite you to our annual meeting of shareholders. The meeting will be held at the company s headquarters located at 5605 Carnegie Boulevard, Suite 500, Charlotte, North Carolina on Wednesday, April 29, 2009 at 12:00 noon.

The matters to be acted upon by the shareholders at this meeting are presented in the enclosed Notice to Shareholders, and the enclosed proxy statement contains information regarding these matters. We intend to post the voting results from the meeting on our website, *www.enproindustries.com*, by May 4, 2009.

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

Sincerely,

Stephen E. Macadam
*President and Chief Executive Officer*

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5605 Carnegie Boulevard, Suite 500
Charlotte, North Carolina 28209

NOTICE TO SHAREHOLDERS:

THE ANNUAL MEETING OF SHAREHOLDERS of EnPro Industries, Inc., a North Carolina corporation, will be held at the company s headquarters located at 5605 Carnegie Boulevard, Suite 500, Charlotte, North Carolina on Wednesday, April 29, 2009 at 12:00 noon to:

1. Elect eight directors to hold office until the next annual shareholders meeting or until their respective successors are elected and qualified;

2. Consider and act upon a proposal to amend and restate the company s Amended and Restated 2002 Equity Compensation Plan;

3. Ratify the selection of PricewaterhouseCoopers LLP as our external auditors for 2009; and

4. Transact such other business as may properly come before the meeting or any adjournment of the meeting.

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

The board of directors has fixed February 27, 2009 as the record date for determining shareholders entitled to notice of and to vote at the meeting. Only those who were registered shareholders at the close of business on that date are entitled to notice of and to vote at the meeting or any adjournment of the meeting.

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

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

By Order of the Board of Directors,

Richard L. Magee
*Secretary*

March 24, 2009

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON APRIL 29, 2009:**

The proxy statement and 2008 annual report to shareholders are available at *www.enproindustries.com/2009annualmeeting*.

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**2009 ANNUAL MEETING OF SHAREHOLDERS
OF
ENPRO INDUSTRIES, INC.**

## PROXY STATEMENT

## GENERAL INFORMATION

The enclosed proxy is solicited on behalf of the board of directors of EnPro Industries, Inc., in connection with our annual meeting of shareholders to be held on Wednesday, April 29, 2009, at 12:00 noon at the company s headquarters located at 5605 Carnegie Boulevard, Suite 500, Charlotte, North Carolina, and at any adjournment or postponement of the meeting. You may use the enclosed proxy card whether or not you attend the meeting. If you are a registered shareholder (that is, you hold shares directly registered in your own name), you may also vote by telephone or over the Internet by following the instructions on your proxy card. If your shares are held in the name of a bank, broker or other nominee, which is referred to as holding in street name, you will receive separate voting instructions with your proxy materials. Although most brokers and nominees offer telephone and Internet voting, availability and specific procedures depend on their voting arrangements.

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

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

We are mailing our 2008 annual report, including financial statements, with this proxy statement to each registered shareholder. We will begin mailing these materials on or around March 24, 2009. Any shareholder may receive an additional copy of these materials by request to our investor relations department. You may reach the investor relations department via email to *investor@enproindustries.com* or by calling 704-731-1503.

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

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

Electing eight directors;

Approving a proposal to amend and restate our Amended and Restated 2002 Equity Compensation Plan; and

Ratifying the appointment of PricewaterhouseCoopers LLP as our external auditors for 2009.

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

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

You may vote if you owned EnPro common stock as of the close of business on the record date, February 27, 2009. Each share of common stock is entitled to one vote on each matter considered at the meeting. At the close of business on the record date, 19,956,880 shares of EnPro common stock were outstanding and eligible to vote, which amount does not include 215,560 shares held by a subsidiary. The enclosed proxy card shows the number of shares that you are entitled to vote.

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

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

***How do I vote?***

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

- over the Internet, which we encourage if you have Internet access, at the address shown on the enclosed proxy card;
- by telephone through the number shown on the enclosed proxy card;
- by mail, by completing, signing, dating and returning the enclosed proxy card; or
- in person at the meeting.

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

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

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

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

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

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

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

- by timely delivering to our Secretary, or at the meeting, a later dated signed proxy card;
- by voting on a later date by telephone or over the Internet (only your last dated proxy card or telephone or Internet vote is counted); or
- if you attend the meeting, by voting your shares in person.

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

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

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

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

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

If you provide specific voting instructions, your EnPro shares will be voted as you have instructed. If you hold shares in your name and sign and return a proxy card or vote by telephone or Internet without giving specific voting instructions, your shares will be voted as our board of directors has recommended. If you hold your shares in your name (you are the record holder) and do not give valid proxy instructions or vote in person at the meeting, your shares will not be voted. If you hold your shares in street name and do not give your bank, broker or other nominee instructions on how you want your shares to be voted, those shares are considered uninstructed and a bank, broker or other nominee generally has the authority to vote those shares on matters that are determined to be routine under the New York Stock Exchange rules. The proposals to be acted upon at the meeting, other than approval of the proposed amendment and restatement of our Amended and Restated 2002 Equity Compensation Plan, are considered routine under the New York Stock Exchange rules, which means that a bank, broker or other nominee has voting discretion as to any uninstructed shares on those matters. Under New York Stock Exchange rules, a bank, broker or other nominee holding your shares will not have authority to vote your shares for or against approval of the proposed amendment and restatement of our Amended and Restated 2002 Equity Compensation Plan unless instructed by you.

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

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

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

The amendment and restatement of our Amended and Restated 2002 Equity Compensation Plan will be approved if the votes cast for approval exceed the votes cast opposing it, so long as the total votes cast represent more than 50% of the shares of common stock entitled to vote. The proposal to ratify the appointment of our external auditors will be approved if more votes are cast in favor of the proposal than are cast against it.

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

For the election of directors, only votes FOR a nominee will count. For the amendment and restatement of our Amended and Restated 2002 Equity Compensation Plan and the ratification of the appointment of our external auditors, only votes for or against the proposal count. Broker non-votes, if any, and, in the case of the ratification of the appointment of our auditors, abstentions will not be counted as votes cast for these proposals. Because approval of the proposed amendment and restatement to our Amended and Restated 2002 Equity Compensation Plan requires that the votes cast for approval exceed the votes cast opposing it, so long as the votes cast represent more than 50% of the shares of common stock entitled to vote, abstentions and broker non-votes, which will not count as votes cast, may have a negative effect on this proposal. Abstentions will count for determining whether a quorum is present.

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

You may examine a list of the shareholders entitled to vote at the meeting. We will make that list available at our main executive offices at 5605 Carnegie Boulevard, Suite 500, Charlotte, North Carolina, from April 28, 2009 through the end of the meeting. The list will also be available for inspection at the meeting.

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

Your board of directors recommends that you vote:

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

**FOR** approving the amendment and restatement to our Amended and Restated 2002 Equity Compensation Plan; and

**FOR** ratifying PricewaterhouseCoopers LLP as our external auditors for 2009.

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

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

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

We will publish final voting results in our quarterly report on Form 10-Q for the second quarter of 2009. In addition, we intend to post the voting results from the meeting on our website, *www.enproindustries.com.*

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

To reduce the expenses of delivering duplicate proxy materials to our shareholders, we are relying on SEC rules that allow us to deliver only one proxy statement and annual report to multiple shareholders who share an address unless we have received contrary instructions from any shareholder at that address. If you share an address with another shareholder and have received only one proxy statement and annual report, you may write or call us to request a separate copy of these materials and we will promptly send them to you at no cost to you. For future meetings, if you hold shares directly registered in your own name, you may request separate copies of our proxy statement and annual report. Alternatively, you may request that we send only one set of materials if you are receiving multiple copies. You may make any of these requests by contacting us at *investor@enproindustries.com* or by calling 704-731-1503.

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

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

You can access this proxy statement and our 2008 annual report on Form 10-K, which includes our annual report to shareholders, on our Internet site at *www.enproindustries.com*. If you are a registered shareholder, you can choose to receive these documents over the Internet in the future by accessing *www.bnymellon.com/shareowner/isd* and following the instructions provided on that website. This could help us save significant printing and mailing expenses. If you choose to receive your proxy materials and annual report electronically, then prior to next year s shareholder meeting you will receive an e-mail notification when the materials and annual report are available for on-line review, as well as the instructions for voting electronically over the Internet. Your choice for electronic distribution will remain in effect until you revoke it by sending a written request to our offices at 5605 Carnegie Boulevard, Suite 500, Charlotte, North Carolina 28209, Attention: Investor Relations.

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

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

We will pay the costs of the solicitation. Our officers, directors and employees may solicit proxies personally, by telephone, mail or facsimile, or via the Internet. These individuals will not receive any additional compensation for their solicitation efforts. You may also be solicited by means of press releases issued by EnPro, postings on our

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website, *www.enproindustries.com*, and advertisements in periodicals. We have hired The Proxy Advisory Group, LLC to assist us in soliciting proxies. We will pay them approximately $7,500 in fees, plus expenses, for their services. In addition, upon request we will reimburse banks, brokers and other nominees representing beneficial owners of shares for their expenses in forwarding voting materials to their customers who are beneficial owners and in obtaining voting instructions.

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

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

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

***Who are the largest owners of our common stock?***

The following table sets forth information about the individuals and entities who held more than 5% of our common stock as of February 27, 2009. This information is based solely on SEC filings made by the individuals and entities by that date.

| Name and Address of Beneficial Owner | Amount and Nature of Beneficial Ownership | Percent of Class(1) |
|---|---|---|
| Keeley Asset Management Corp. *et al.*(2)<br>401 South LaSalle Street<br>Chicago, IL 60605 | 2,095,499 | 10.5% |
| Barclays Global Investors, N.A. *et al.*(3)<br>400 Howard Street<br>San Francisco, CA 94105 | 1,536,717 | 7.7% |
| The Vanguard Group, Inc.(4)<br>100 Vanguard Boulevard<br>Malvern, PA 19355 | 1,371,963 | 6.9% |
| Dimensional Fund Advisors Inc.(5)<br>Palisades West, Building One<br>6300 Bee Cave Road<br>Austin, TX 78746 | 1,209,244 | 6.1% |
| Bank of America Corporation *et al.*(6)<br>100 North Tryon Street, Floor 25<br>Bank of America Corporate Center<br>Charlotte, NC 28255 | 1,108,587 | 5.6% |

(1) Applicable percentage ownership is based on 19,956,880 shares of our common stock outstanding at February 27, 2009 entitled to vote at the annual meeting.

(2) This information is based on a Schedule 13G amendment dated February 2, 2009 filed with the SEC by Keeley Asset Management Corp. and Keeley Small Cap Value Fund reporting beneficial ownership as of December 31, 2008. Keeley Asset Management Corp. reports sole voting power over 1,983,529 shares and sole dispositive power over 2,095,499 shares.

(3) This information is based on a Schedule 13G dated February 6, 2009 filed with the SEC by Barclays Global Investors, N.A., Barclays Global Fund Advisors, Barclays Global Investors, Ltd., Barclays Global Investors Japan Limited, Barclays Global Investors Canada Limited, Barclays Global Investors Australia Limited, and Barclays Global Investors (Deutschland) AG reporting beneficial ownership as of December 31, 2008. Barclays Global Investors, N.A. reports sole voting power over 554,019 shares and sole dispositive power over 637,998 shares, Barclays Global Fund Advisors reports sole voting power over 654,390 shares and sole

dispositive power over 885,194 shares, and Barclays Global Investors, Ltd. reports sole voting power over 550 shares and sole dispositive power over 13,525 shares.

(4) This information is based on a Schedule 13G dated February 13, 2009 filed with the SEC by The Vanguard Group, Inc. reporting beneficial ownership as of December 31, 2008. The Vanguard Group, Inc. reports sole voting power over 28,471 shares and sole dispositive power over 1,371,963 shares.

(5) This information is based on a Schedule 13G amendment dated February 9, 2009 filed with the SEC by Dimensional Fund Advisors LP reporting beneficial ownership as of December 31, 2008. Dimensional Fund Advisors LP reports sole voting power over 1,162,133 shares and sole dispositive power over 1,209,244 shares in its role as investment advisor to certain investment companies or as investment manager to certain group trusts and other accounts.

(6) This information is based on a Schedule 13G amendment dated February 12, 2009 filed with the SEC by Bank of America Corporation, NB Holdings Corporation, BAC North America Holding Company, BANA Holding Corporation, Bank of America, NA, Columbia Management Group, LLC, Columbia Management Advisors, LLC, Banc of America Securities Holdings Corporation, Banc of America Securities LLC, NMS Services Inc, NMS Services (Cayman) Inc, and Banc of America Investment Advisors, Inc., reporting beneficial ownership as of December 31, 2008. Bank of America Corporation reports shared voting power over 1,108,587 shares and shared dispositive power over 1,084,028 shares; NB Holdings Corporation reports shared voting power over 1,108,495 shares and shared dispositive power over 1,083,936 shares; BAC North America Holding Corporation reports shared voting power over 857,573 shares and shared dispositive power over 833,014 shares; BANA Holding Corporation reports shared voting power over 857,573 shares and shared dispositive power over 833,014 shares; Bank of America, National Association reports sole voting power over 443,438 shares, shared voting power over 414,135 shares, sole dispositive power over 435,538 shares and shared dispositive power over 397,476 shares; Columbia Management Group, LLC reports shared voting power over 378,714 shares and shared dispositive power over 389,076 shares; Columbia Management Advisors, LLC reports sole voting power over 373,314 shares, shared voting power over 5,400 shares, sole dispositive power over 381,136 shares and shared dispositive power over 7,940 shares; Banc of America Securities Holdings Corporation reports shared voting power over 250,922 shares and shared dispositive power over 250,922 shares; Banc of America Securities LLC reports sole voting power over 250,922 shares and sole dispositive power over 250,922 shares; NMS Services Inc reports shared voting power over 92 shares and shared dispositive power over 92 shares; NMS Services (Cayman) Inc reports sole voting power over 92 shares and sole dispositive power over 92 shares; and Banc of America Investment Advisors, Inc. reports shared voting power over 35,361 shares.

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

The following table sets forth information as of February 27, 2009 about the shares of our common stock that the following individuals beneficially own:

- our directors;
- director nominees; and
- the executive officers and former executive officer listed in the summary compensation table that begins on page 32.

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

| Name of Beneficial Owner | Amount and Nature of Beneficial Ownership(1) | Directors Phantom Shares(2) | Directors Stock Units(3) | Percent of Class(4) |
|---|---|---|---|---|
| William R. Holland | 40,000 | 19,972 | | * |
| Stephen E. Macadam | 97,235 | | | * |
| J. P. Bolduc | 1,000 | 19,972 | 1,520 | * |
| Peter C. Browning | 4,340 | 19,972 | 7,599 | * |
| Don DeFosset | | 4,397 | | * |
| Joe T. Ford | 10,000 | 19,972 | 10,990 | * |
| Gordon D. Harnett | 2,060 | 19,972 | 6,483 | * |
| David L. Hauser | 800 | 6,965 | 1,259 | * |
| Wilbur J. Prezzano, Jr. | | 7,936 | 6,817 | * |
| William Dries | 160,777 | | | * |
| Richard L. Magee | 134,538 | | | * |
| J. Milton Childress II | 12,028 | | | * |
| Donald G. Pomeroy II | 27,454 | | | * |
| 16 directors and executive officers as a group | 522,276 | 119,158 | 34,668 | 2.6% |
| Former Executive Officers: | | | | |
| Ernest F. Schaub | 197,673 | | | * |

* Less than 1%

(1) These numbers include the following shares that the individuals may acquire within 60 days after February 27, 2009 through the exercise of stock options: Mr. Macadam, 33,333 shares; Mr. Dries, 103,100 shares; Mr. Magee, 80,900 shares; Mr. Pomeroy, 18,100 shares; all directors and executive officers as a group, 253,533 shares and Mr. Schaub, 197,673 shares. The numbers also include shares held in our Retirement Savings Plan for Salaried Employees, allocated as follows: Mr. Dries, 1,212 shares and Mr. Magee, 1,086 shares. In addition, these numbers include restricted shares as follows: Mr. Macadam, 53,500 shares; Mr. Dries, 11,220 shares; Mr. Magee, 10,209 shares; and Mr. Childress, 7,926 shares. All other ownership is direct, except that Mr. Dries indirectly owns 100 shares, which are owned by his spouse, and that all directors and executive officers as a group include 175 shares held indirectly, which shares are owned by family members.

(2) These numbers reflect the phantom shares awarded under our Outside Directors Phantom Share Plan and the phantom shares awarded to non-employee directors under our Amended and Restated 2002 Equity Compensation Plan. When they leave the board, these directors will receive cash in an amount equal to the value of the phantom shares awarded under the Outside Directors Phantom Share Plan and shares of our common stock for phantom shares awarded under the Amended and Restated 2002 Equity Compensation Plan. See Corporate Governance Policies and Practices Director Compensation. Because the phantom shares are not actual shares of our common stock, these directors have neither voting nor investment authority in common stock arising from their ownership of these phantom shares.

(3) These numbers reflect the number of stock units credited to those non-employee directors who have elected to defer all or a part of the cash portion of their annual retainer and meeting fees pursuant to our Deferred Compensation Plan for Non-Employee Directors. See Corporate Governance Policies and Practices Director

Compensation. Because the stock units are not actual shares of our common stock, the directors have neither voting nor investment authority in common stock arising from their ownership of these stock units.

(4) These percentages do not include the directors phantom shares or stock units described in Notes 2 and 3. Applicable percentage ownership is based on 19,956,880 shares of our common stock outstanding at February 27, 2009 entitled to vote at the annual meeting.

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

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

We have reviewed the copies of all reports furnished to us. Based solely on this review, we believe that no director, officer, or 10% shareholder failed to timely file in 2008 any report required by Section 16(a).

## PROPOSAL 1 ELECTION OF DIRECTORS

(Item 1 on the proxy card)

One of the purposes of the meeting is the election of eight directors to hold office until the annual shareholders meeting in 2010 or until their respective successors are elected and qualified. Currently, the board of directors has nine members. Joe T. Ford has advised the board of his desire to retire from the board of directors effective at the 2009 annual meeting. Accordingly, the board has fixed the number of directors at eight effective upon Mr. Ford s retirement. The board of directors has nominated the eight persons named on the following pages. All of the nominees are incumbent directors whose terms would otherwise expire upon the election of directors at the meeting. Properly executed proxies that do not contain voting instructions will be voted for the election of each of these nominees.

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

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

### Nominees for Election

#### WILLIAM R. HOLLAND, 70

Mr. Holland has served as a director and as Chairman of the Board since May 2002. He was Chairman from 1987 through 2001, and Chief Executive Officer from 1986 to 2000, of United Dominion Industries Limited, a diversified manufacturing company. Mr. Holland is also a director of Goodrich Corporation and Lance, Inc., both publicly traded companies, and Crowder Construction Company and ERC, Ltd., which are privately owned companies. In addition, Mr. Holland serves as a corporate member of the Jupiter Florida Medical Center, on the Advisory Board of the Walker School of Business of Appalachian State University, and as a director of the Carolinas Healthcare Foundation.

#### STEPHEN E. MACADAM, 48

Mr. Macadam has served as our Chief Executive Officer and President, and as a director, since April 2008. Prior to accepting these positions with EnPro, Mr. Macadam served as Chief Executive Officer of BlueLinx Holdings Inc. since October 2005. Before joining BlueLinx Holdings Inc., Mr. Macadam was the President and Chief Executive Officer of Consolidated Container Company LLC since August 2001. He served previously with Georgia-Pacific Corp. where he held the position of Executive Vice President, Pulp & Paperboard from July 2000 until August 2001, and the position of Senior Vice President, Containerboard & Packaging from March 1998 until July 2000.
Mr. Macadam held positions of increasing responsibility with McKinsey and Company, Inc. from 1988 until 1998, culminating in the role of principal in charge of McKinsey s Charlotte, North Carolina operation.

**J. P. BOLDUC, 69**

Mr. Bolduc has served as a director since 2002. He has been Chairman of the Board and Chief Executive Officer of JPB Enterprises, Inc., an investment banking, private equity and real estate investment holding company, since 1995. Mr. Bolduc served as acting Chief Executive Officer of J. A. Jones, Inc. from April 2003 to September 2004. He was President and Chief Executive Officer of W. R. Grace & Co. from 1990 to 1995. Mr. Bolduc is a

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trustee of the William E. Simon Graduate School of Business at the University of Rochester, a member of the Advisory Council for Graduate Studies and Research at the University of Notre Dame, and a director of the Edison Preservation Foundation of Baltimore. He is also a director of Unisys Corporation, Lance, Inc. and MCG, PLC.

**PETER C. BROWNING, 67**

Mr. Browning has served as a director since 2002. He was the Dean of the McColl School of Business at Queens University from March 2002 through May 2005. From 1998 to 2000, Mr. Browning was President and Chief Executive Officer, and from 1995 to 1998, President and Chief Operating Officer, of Sonoco Products Company, a manufacturer of industrial and consumer packaging. He has served as lead director of Nucor Corporation, a steel manufacturer, since May 2006 and served as Non-Executive Chairman of Nucor from September 2000 to May 2006. Mr. Browning serves as lead director of The Phoenix Companies and is also a director of Acuity Brands, Inc. and Lowe s Companies, Inc.

**DON DEFOSSET, 60**

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

**GORDON D. HARNETT, 66**

Mr. Harnett has served as a director since 2002. He was Chairman and Chief Executive Officer of Brush Engineered Materials Inc., a provider of metal-related products and engineered material systems, until May 2006, and had served as Chief Executive Officer at Brush Engineered Materials or a similar position at Brush Wellman, Inc. (a subsidiary of Brush Engineered Materials) since January 1991. Mr. Harnett is also a director of Acuity Brands, Inc., The Lubrizol Corporation and PolyOne Corporation.

**DAVID L. HAUSER, 57**

Mr. Hauser has served as a director since 2007. Since April 2006, Mr. Hauser has served as Group Executive and Chief Financial Officer of Duke Energy Corporation, one of the largest electric power companies in the United States. In addition to serving as Chief Financial Officer, he was Group Vice President from February 2004 to April 2006. He was acting Chief Financial Officer from November 2003 to February 2004 and Senior Vice President and Treasurer from June 1998 to November 2003. Mr. Hauser is a director of Fairpoint Communications, Inc., a trustee of the North Carolina Blumenthal Performing Arts Center, and a member of the Business Advisory Council for the University of North Carolina at Charlotte.

**WILBUR J. PREZZANO, JR., 68**

Mr. Prezzano has served as a director since 2006. He retired as Vice Chairman of Eastman Kodak Company, a manufacturer of photographic equipment and supplies, in January 1997, having served in various management roles at Eastman Kodak prior to that time. He is the Non-Executive Chairman of the Board of Lance, Inc. Mr. Prezzano is also a director of Roper Industries, Inc., The Toronto-Dominion Bank, and TD AMERITRADE Holding Corporation.

**Agreements to Nominate**

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

In connection with the settlement of an election contest with respect to the annual shareholders meeting in 2008, we entered into a settlement agreement with Steel Partners II, L.P., Steel Partners II GP LLC, Steel Partners II Master Fund L.P., Steel Partners LLC, Warren G. Lichtenstein, James R. Henderson, John J. Quicke, Kevin C. King,

Don DeFosset and Delyle Bloomquist. This settlement agreement required our board of directors to take all action necessary to, on the second business day following the completion of the 2008 annual meeting of shareholders, reset the size of the board from eight to nine directors and appoint Don DeFosset to fill the vacancy created by this increase in the size of the board. The settlement agreement does not require us to nominate, or take any other action to elect, Mr. DeFosset (or any other person designated by the other parties to the settlement agreement) as a director at the 2009 annual meeting or at any subsequent meeting of the shareholders.

## BOARD MATTERS

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

### Committee Structure

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

Each board committee operates in accordance with a written charter that the board has approved. You may obtain these charters on our website at *www.enproindustries.com* by clicking on Investor and then Corporate Governance and looking under Committee Charters.

*Executive Committee.* The current members of the Executive Committee are Mr. Holland (Chairman), Mr. Browning, Mr. Harnett and Mr. Macadam. The Executive Committee did not meet in 2008. The primary function of this committee is to exercise the powers of the board as and when directed by the board or when the board is not in session, except those powers which, under North Carolina corporate law, may not be delegated to a committee of directors.

*Audit and Risk Management Committee.* The Audit and Risk Management Committee, or Audit Committee, met four times in 2008. It assists the board in monitoring the integrity of our financial statements, compliance with legal and regulatory requirements, management of significant risk areas (including insurance, pension, asbestos, environmental and litigation) and the qualifications, independence and performance of our internal and external auditors. This committee has the sole authority to appoint or replace our external auditors and to approve all fees of the external auditors. Mr. Harnett is the current committee Chairman.

*Compensation and Human Resources Committee.* The Compensation and Human Resources Committee, or Compensation Committee, met six times in 2008. Mr. Browning is the current committee Chairman.

The primary function of the Compensation Committee is to assist the board and management in exercising oversight concerning the appropriateness and cost of our compensation and benefit programs, particularly for executives. The Compensation Committee sets the salaries and annual bonus and long-term award opportunities for our senior executives, assesses the performance of our CEO, and oversees succession planning programs. The committee has delegated responsibility for the design, administration, asset management and funding policies of our qualified and non-qualified benefit plans to a benefits committee consisting of members of management. However, the

Compensation Committee has expressly retained the authority to approve benefit plan amendments (other than amendments resulting from collective bargaining agreements) that would materially affect the cost, basic nature or financing of these plans. In addition, the Compensation Committee approves all formal policies established by the benefits committee and reviews the benefits committee s activities at least once per year.

*Nominating and Corporate Governance Committee.* The Nominating and Corporate Governance Committee met four times in 2008. The primary function of this committee is to assist the board and management in exercising



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sound corporate governance. This committee identifies and nominates individuals who are qualified to become members of the board, assesses the effectiveness of the board and its committees, and recommends board committee assignments. It also reviews various corporate governance issues, including those items discussed below under Corporate Governance Policies and Practices. Mr. Holland currently chairs this committee.

**Meetings and Attendance**

The board met 11 times in 2008. All directors attended at least 75% of the total number of meetings of the full board and of the board committees on which they serve. While it is our policy to encourage all directors to attend the annual meeting of shareholders and historically all or close to all of our directors have attended each of these meetings, because of the change in the date for our 2008 annual meeting to accommodate the settlement of the election contest and the inability to coordinate the resetting of the meeting date with the schedules of our directors, only four directors attended the 2008 annual meeting of shareholders.

## CORPORATE GOVERNANCE POLICIES AND PRACTICES

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

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

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

- normally only the CEO should be an employee director;
- a substantial majority of the members of the board should be independent directors;
- the board should hold regularly scheduled executive sessions without management present;
- board members should attend our annual shareholders meeting; and
- the board should evaluate its performance and contributions, and those of its committees, on an annual basis.

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

We also have a Code of Business Conduct. The Code covers, among other things, conflicts of interest, corporate opportunities, confidentiality, protection and proper use of company assets, fair dealing, compliance with laws (including insider trading laws), the accuracy and reliability of our books and records, and the reporting of illegal or unethical behavior. It applies to our directors and all of our employees, including our principal executive, financial and accounting officers. Pursuant to the Code, all conflict of interest transactions, including related party transactions we would be required to disclose in our proxy statement, must be presented to a member of our internal Corporate Compliance Committee or an attorney in our legal department, who are authorized by the Code to present such transactions to our Chief Executive Officer and the Audit Committee. The Code does not otherwise establish specific procedures and policies for the approval or ratification of conflict of interest transactions, and we would develop such

procedures on a case-by-case basis as the need arises. Each year, we ask all members of the board and all officers to certify their compliance with the Code. Each member of the board certified compliance without exception in the first quarter of 2009; each officer certified compliance without exception in the fourth quarter of 2008.

Copies of our Corporate Governance Guidelines and Code of Business Conduct are available on our website at *www.enproindustries.com*. From our home page, click on the Investor tab and then on Corporate Governance.

## Director Independence

As described in our Corporate Governance Guidelines, the board believes that a substantial majority of the board should consist of independent directors. At its February 2009 meeting, the board of directors made a determination as to the independence of each of its members in 2008. In making these determinations, the board used the definition of an independent director in the NYSE listing standards and the categorical standards set forth in our Corporate Governance Guidelines. Under these guidelines, a director will be independent only if the board affirmatively determines that the director has no material relationship with our company (either directly or as a director, partner, shareholder or officer of an organization that has a relationship with us).

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

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

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

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

- the director is, or has been within the last three years, an employee of ours, or an immediate family member is, or has been within the last three years, an executive officer of ours;
- the director or an immediate family member has received more than $120,000 in direct compensation from us, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);
- the director or an immediate family member is a current partner of our auditor; the director is a current employee of our auditor; the director has an immediate family member who is a current employee of our auditor and who personally works on our audit; or the director or an immediate family member was within the last three years a partner or employee of our auditor and personally worked on ours audit within that time;
- the director or an immediate family member is, or has been in the past three years, part of an interlocking directorate in which an executive officer of ours serves on the compensation committee of another company that employs the director;
- the director is a current employee, or an immediate family member is a current executive officer, of a company that we do business with, and that company s sales to or purchases from us in any of the last three fiscal years exceeded the greater of $500,000 or 1% of the other company s consolidated annual revenues; or
- the director or the director s spouse serves as an officer, director or trustee of a charitable organization, and our discretionary charitable contributions to such organization exceeded the greater of $500,000 or 1% of the other organization s annual revenues.

To assist in the board s independence determinations, each director completed a questionnaire that included questions to identify any relationships with us or with any of our executive officers or other directors. After discussing all

relationships disclosed in the responses to these questionnaires, the board determined that Mr. Bolduc, Mr. Browning, Mr. DeFosset, Mr. Ford, Mr. Harnett, Mr. Hauser, Mr. Holland, and Mr. Prezzano are independent because none has a material relationship with the company other than as a director. As our Chief Executive Officer and President, Mr. Macadam is automatically disqualified from being an independent director.

**Audit Committee Financial Expert**

The board of directors has determined that Mr. Hauser is an audit committee financial expert as that term is defined in Item 401(h) of the SEC s Regulation S-K. At its February 2009 meeting, the board determined that

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Mr. Hauser, through his education and experience as a certified public accountant and his experience as the Chief Financial Officer of Duke Energy Corporation, has all of the following attributes:

- an understanding of generally accepted accounting principles and financial statements;
- the ability to assess the general application of those principles in connection with the accounting for estimates, accruals and reserves;
- experience in preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that our financial statements can reasonably be expected to raise;
- an understanding of internal controls and procedures for financial reporting; and
- an understanding of audit committee functions.

**Director Candidate Qualifications**

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

- Candidates should possess broad training and experience at the policy-making level in business, government, education, technology or philanthropy.
- Candidates should possess expertise that is useful to our company and complementary to the background and experience of other board members, so that we can achieve and maintain an optimum balance in board membership.
- Candidates should be of the highest integrity, possess strength of character and the mature judgment essential to effective decision making.
- Candidates should be willing to devote the required amount of time to the work of the board and one or more of its committees. Candidates should be willing to serve on the board over a period of several years to allow for the development of sound knowledge of our business and principal operations.
- Candidates should be without any significant conflict of interest.
- Candidates must be between 18 and 72 years old.

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

**Nomination Process**

Before recommending a sitting director for re-election, the Nominating and Corporate Governance Committee considers whether the director s re-election would be consistent with the criteria for board membership in our Corporate Governance Guidelines (as described above) and applicable rules and requirements of the SEC and NYSE. This process includes a review on behalf of the Nominating and Corporate Governance Committee of the responses to the annual director questionnaires.

When seeking candidates for director, the Nominating and Corporate Governance Committee may solicit suggestions from incumbent directors, management or others. The Nominating and Corporate Governance Committee may also engage the services of a third party to identify and evaluate candidates. After conducting

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an initial evaluation of a candidate, the Nominating and Corporate Governance Committee (or the committee Chairman) interviews that candidate if the committee believes the candidate might be a suitable director. The Nominating and Corporate Governance Committee may also ask the candidate to meet with management. If the Nominating and Corporate Governance Committee concludes that a candidate would be a valuable addition to the board and that the candidate meets all of the requirements for board membership, it will recommend to the full board that the candidate be nominated for election (or appointed, if the purpose of the committee s search was to fill a vacancy).

**Communications with the Board**

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

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

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

**Director Compensation**

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

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

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

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

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

An initial grant of phantom shares, equal in value to $30,000, upon a director s initial election or appointment to the board; and

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

The board conducted a review of its compensation at the February 2008 meeting. Based on data presented by the board s compensation consultant, the board determined that it was appropriate to increase the fees payable to directors by adding $50,000 to the equity component. The additional $50,000 is in phantom shares. Because of limitations under our Amended and Restated 2002 Equity Compensation Plan, the additional phantom shares will be paid out in cash at retirement from the board, based on the price of our common stock at that time.

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

The board adopted stock ownership guidelines for directors at its February 2008 meeting. Under these guidelines, each director had five years from the time he became a director to accumulate EnPro equity equal in market value to five times the annual cash retainer. At its July 2008 meeting, the board modified the guidelines to become stock ownership requirements pursuant to which a director has until five years after the date on which the requirements were adopted or five years after he becomes a director, whichever is later, to satisfy the ownership requirements. Phantom shares count toward meeting the equity threshold established under the new stock ownership requirements. We examine compliance with this policy at our board of directors meeting held in February of each year. As of February 11, 2009, the date of our February 2009 board of directors meeting, all directors who have served on the board for at least five years would have complied with the requirements.

Non-employee directors may participate in our Deferred Compensation Plan for Non-Employee Directors. Under this plan, non-employee directors may defer receipt of all or part of the cash portion of their annual retainer fee. Participants choose between two investment alternatives, a cash account and a stock account. Deferred fees in a director s cash account are credited with an investment return based on the director s selection from the same menu of investment options available under our Retirement Savings Plan for Salaried Employees (excluding our common stock). Deferred fees in a director s stock account are credited with stock units that each have a value on a given date equal to the fair market value of one share of our common stock on that date. All amounts deferred are payable when a director retires from the board. The following non-employee directors have deferred compensation under the plan as of December 31, 2008: Mr. Bolduc, 1,520 stock units; Mr. Browning, 7,599 stock units; Mr. Ford, 8,473 stock units; Mr. Harnett, $94,664 and 6,483 stock units, and Mr. Hauser, $70,981 and 1,259 stock units.

The following table presents the compensation we paid to our non-employee directors for their service in 2008.

**2008 Non-Employee Director Compensation**

| Name (a) | Fees Earned or Paid in Cash ($) (1) (b) | Stock Awards ($) (2) (c) | Total ($) (h) |
|---|---|---|---|
| J.P. Bolduc | 75,000 | 75,000 | 150,000 |
| Peter C. Browning | 106,000 | 75,000 | 181,000 |
| Don DeFosset | 37,500 | 30,000 | 67,500 |
| Joe T. Ford | 75,000 | 75,000 | 150,000 |
| Gordon D. Harnett | 83,000 | 75,000 | 158,000 |
| David L. Hauser | 75,000 | 75,000 | 150,000 |
| William R. Holland | 286,000 | 75,000 | 361,000 |
| Wilbur J. Prezzano, Jr. | 75,000 | 75,000 | 150,000 |

(1) Fees paid to Messrs. Browning and Holland include a $25,000 special fee paid in recognition of their service leading the search process to identify a chief executive officer to succeed Mr. Schaub.

(2) On February 12, 2008, each non-employee member of the board, other than Mr. DeFosset, received a grant of 2,446 phantom shares, based on the average of the high and low sales prices of our common stock on the preceding date, which was $30.66 per share. Of these awards, 815 phantom shares are to be settled in shares of common stock and 1,631 phantom shares are to be settled in cash. Mr. DeFosset, who joined the board on June 11, 2008, received a grant of 773 phantom shares on July 8, 2008 (the first meeting of the board of directors following his appointment to the board) based on the average of the high and low sales prices of our common

stock on the preceding date, which was $38.83 per share. As of December 31, 2008, the non-employee directors held the following numbers of phantom shares:

| Director | Number of Phantom Shares |
|---|---|
| J.P. Bolduc | 16,348 |
| Peter C. Browning | 16,348 |
| Don DeFosset | 773 |
| Joe T. Ford | 16,348 |
| Gordon D. Harnett | 16,348 |
| David L. Hauser | 3,341 |
| William R. Holland | 16,348 |
| Wilbur J. Prezzano, Jr. | 4,312 |

Directors who participate in our Deferred Compensation Plan for Non-Employee Directors direct the investment of all funds they defer into the plan. The investment options are the same ones available under our tax-qualified Retirement Savings Plan for Salaried Employees. Accordingly, no director earns interest on his deferrals at an above-market rate.

## AUDIT COMMITTEE REPORT

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

The Audit Committee has met and held discussions with management and PricewaterhouseCoopers LLP (PwC), our external auditors for 2008, regarding our audited 2008 consolidated financial statements and our internal control over financial reporting. Management represented to the Audit Committee that our consolidated financial statements were prepared in accordance with generally accepted accounting principles and that our internal control over financial reporting was effective as of December 31, 2008. The Audit Committee has reviewed and discussed the consolidated financial statements and our system of internal control over financial reporting with management and PwC.

The Audit Committee also has discussed with PwC the matters required to be discussed by Statement on Auditing Standards No. 61 (Codification of Statements on Accounting Standards), as amended. In addition, the Audit Committee has received the written disclosures and the letter from PwC relating to the independence of that firm that are required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and has discussed with PwC that firm s independence from us.

The Audit Committee has further discussed with our internal auditors and PwC the overall scope and plans for their respective 2008 audits. The Audit Committee met with the internal auditors and PwC, with and without management present, to discuss the results of their examinations, the evaluations of our internal control over financial reporting, and the overall quality of our financial reporting.

In reliance upon the Audit Committee s discussions with management and PwC and the Audit Committee s review of the representation of management and the report of PwC to the Audit Committee, the Audit Committee recommended that the board of directors include our audited consolidated financial statements in our Annual Report on Form 10-K

for the year ended December 31, 2008 to be filed with the SEC.

Audit and Risk Management Committee

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

February 10, 2009

## COMPENSATION AND HUMAN RESOURCES COMMITTEE REPORT ON EXECUTIVE COMPENSATION

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

The section entitled Compensation Discussion and Analysis explains the material elements of our compensation program and provides an analysis of the material factors underlying the committee s compensation policies and decisions. The committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on its review and discussion with management, the committee has recommended to our board of directors that the Compensation Discussion and Analysis be included in this proxy statement and in our annual report on Form 10-K for the year ended December 31, 2008.

Compensation and Human Resources Committee

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

February 10, 2009

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## COMPENSATION DISCUSSION AND ANALYSIS

### Executive Summary

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

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

In addition, this Compensation Discussion and Analysis discusses these matters as they apply to compensation paid to executive officers for 2008. During 2008, Stephen E. Macadam succeeded Ernest F. Schaub as our Chief Executive Officer and President when Mr. Schaub retired from those positions in April 2008. Mr. Macadam served as the Chief Executive Officer of BlueLinx Holdings Inc. prior to our recruiting him to succeed Mr. Schaub. Because Mr. Schaub and Mr. Macadam each served as our Chief Executive Officer in 2008, the compensation tables following this section include information for both of them, and include compensation paid to Mr. Schaub as he continued to be employed by us following the relinquishment of his responsibilities as Chief Executive Officer and President to facilitate the transition of those responsibilities to Mr. Macadam. Mr. Schaub retired from our company in all capacities in December 2008.

At our inception in 2002 as a new public company being spun-off by Goodrich Corporation, our future was uncertain. At that time, the objective of our executive compensation program was to attract personnel with proven experience in managing industrial manufacturing companies and the skill sets to foster our success as a standalone entity. To achieve this objective, we believed a competitive compensation package was paramount. Accordingly, we tailored our compensation program to be comparable to the compensation program at Goodrich Corporation, which was not only our former corporate parent but also the prior employer of a number of our executive officers.

A primary objective of our executive compensation program now is to retain these officers, and to be in a position to replace them with other high-caliber individuals should that need arise. A competitive pay package is vitally important to meet this objective, and, accordingly, in our annual compensation process we set the targeted level of each component of in-service compensation for our executive officers at or near the market median. Our recruitment of Mr. Macadam and the determination of his compensation arrangements occurred separate from our annual executive compensation process and the terms of his compensation reflect the need to provide significant financial incentives for him to leave his former employer and join our company and the advice of the committee s executive compensation consultant. As a result, Mr. Macadam s total compensation is above our goal of targeting total compensation at market median. The terms of Mr. Macadam s compensation arrangements are included in an employment agreement we entered into with him shortly before he joined us.

A concurrent objective of our executive compensation program is to contribute to our continued success as a company. We seek to accomplish this objective through our incentive plans, by rewarding performance that enhances shareholder value and furthers our strategic and financial objectives. We use both annual and three-year plans to

provide incentives for both short-term and long-term performance. We use our annual budget and strategic plans to set incentive target levels, taking into account anticipated sales and income growth. If our performance exceeds these targets, our executive officers earn incentive awards above the market median.

In 2008, we also made one-time equity awards in connection with our CEO succession. We awarded Mr. Macadam stock options and restricted shares of our common stock. These awards were intended in part to replace equity awards granted to Mr. Macadam by his former employer that he forfeited by leaving that firm and in amounts the committee believed necessary to recruit him to join our company. In addition, prior to our selection of Mr. Macadam to succeed Mr. Schaub, we made one-time awards of restricted shares of our common stock to our

executives who report directly to the CEO to provide a meaningful incentive for the executive officers to continue as members of the senior management team during the CEO transition and thereafter.

In the six years since our spin-off from Goodrich, our operating performance has increased significantly, with total segment profit, which is total segment revenue reduced by operating expenses and restructuring and other costs identifiable with the segments, having increased 138%, from $75.3 million for 2002 to $179.3 million for 2008. As a result of our strong performance over this period, our executive officers have been compensated above median levels. Our compensation program has been instrumental in driving this performance. Simply stated, we have paid for and gotten outstanding results. Thus, while our executive officers have benefited from our compensation programs, we believe their performance has significantly benefited our shareholders.

Based on our performance relative to our annual incentive plans performance goals, the committee awarded the named executive officers the bonuses reported in column (g) (see footnote 4) of the summary compensation table that begins on page 32. These annual bonuses equaled 123% of each named executive officer s target bonus. The company has also performed well relative to the goals established three years ago under our long-term incentive plan. Based on that performance, the committee awarded a cash LTIP payment equal to 134% of each executive officer s target cash award and performance shares equal to 149% of each executive officer s target share award.

## Compensation Practices

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

### *The Role of the Executive Officers*

It is the committee s practice to request and consider proposals by the CEO as to the appropriate levels of salary and incentive award opportunities for all executive officers other than the CEO. It then approves these compensation elements as proposed or, in its discretion, revises them. For 2008, these proposals were made by Mr. Schaub, who was our CEO at the time these levels and opportunities were set by the committee. In reviewing the compensation of the CEO and the other executive officers, the committee is advised by its outside compensation consultant and our human resources staff. Our CEO does not recommend any of his compensation, including target bonus or incentive award levels, to the committee. The committee establishes the CEO s compensation independently of that of the other executive officers, so that an increase in the compensation of those officers, as proposed by the CEO, does not form the basis for a corresponding increase in the CEO s compensation.

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

At its December meeting each year, the committee reviews the proposed performance measures and weightings and approves them, either as recommended or with revisions the committee suggests. In addition, the committee previews

preliminary minimum, target and maximum payout levels for each performance measure at the December meeting. The committee and its consultant provide the executive officers with feedback on the preliminary payout levels, and the executive team then reviews the committee s recommendations in conjunction with year-end financial results, revised budgets and economic forecasts. Management makes its final recommendations at the committee s February meeting, at which time the committee independently reviews management s

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recommendations, and makes the final determination of what performance measures, weightings and payout levels will be used for each incentive award.

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

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

The committee directly engages our executive compensation consultant, and it engaged Pearl Meyer & Partners to assist it with compensation planning for 2008. The committee s charter gives it express authority over the engagement of executive compensation consultants, as well as the ability to engage other advisors as it sees fit.

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

Pearl Meyer s work for the committee on executive compensation for 2008 included:

- analyzing the competitiveness of our executive and director compensation programs in 2007;
- providing information about market trends in executive and director pay practices;
- advising on compensation program design and structure, including potential performance measures for our annual management bonus plans and long-term incentive plan, or LTIP;
- reviewing the relationship between executive compensation and company performance;
- reviewing director compensation;
- advising the committee regarding the proposed terms of Mr. Macadam s initial compensation arrangement; and
- assisting in the preparation of our proxy statement.

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

***Determination of Employment Terms of Mr. Macadam***

The terms and levels of Mr. Macadam s 2008 compensation were set through negotiation between Mr. Macadam and the committee coincident with the company s recruitment of Mr. Macadam. Primary responsibility for discussing these terms with Mr. Macadam was delegated by the committee to two of its members, the Chairman of the Board and the Chairman of the committee, though all aspects of Mr. Macadam s compensation arrangements were reviewed and approved by the committee. Throughout this process, the committee was advised by its executive compensation consultant with respect to the level and structure of Mr. Macadam s compensation. Where possible, the committee sought to structure elements of compensation to fit within the company s existing framework for executive compensation. To attract Mr. Macadam to join the company, we had to provide certain elements of initial compensation that are outside the company s typical executive compensation structure and were the product of negotiation with Mr. Macadam. These elements included a cash signing bonus, one-time awards of stock options and

shares of restricted stock, guarantees of a portion of initial variable compensation and perquisites in connection with his extended commuting period from his home in Atlanta to our headquarters in Charlotte.

Mr. Macadam s target total compensation is between the median and 75th percentile of the peer group market data (discussed below). When the additional compensation provided to attract Mr. Macadam to the company is added, Mr. Macadam s compensation exceeds the 75th percentile. In assessing the reasonableness of this additional compensation, the committee reviewed compensation paid by other companies to new externally hired CEOs.

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## Compensation Program Design and Tools

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

### *Policies Regarding Executive Compensation*

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

In 2008, we made exceptions to our policy of targeting in-service compensation at or near the market median. The committee had been advised by its executive compensation consultant that targeting the market median for external hires may prove difficult and that a deviation from our historical practices may be required to successfully recruit an external successor as CEO. In addition, the committee increased Mr. Schaub s salary and annual incentive award for 2008 to a level approaching the 75th percentile of CEOs within the survey and peer groups in recognition of his high-level of experience, of his consistent excellent performance reviews during his tenure, of his pending retirement and of the fact that his salary and annual incentive award opportunities had been set at or very near the market median throughout his tenure. The committee s decision in setting Mr. Schaub s salary was also informed by the salary level necessary to attract his successor.

The committee also has a policy of making variable compensation a significant component of each executive officer s total compensation. The term variable compensation refers to amounts that vary in amount depending on performance poor performance leads to little or no awards while superior performance leads to superior awards. The more responsibility an executive has, the higher is his variable compensation as a percentage of his total compensation. Correspondingly, with more responsibility comes a lower percentage of fixed compensation that the executive is more or less guaranteed to earn for doing his job. The following chart is intended to reflect the relationship at target levels for different members of current senior management of direct compensation for 2008 that is fixed (i.e., base salary) versus variable (i.e., target annual bonus and LTIP which are each based on target performance levels). The committee generally believes target performance levels should be ones that represent significant performance improvements, and that the company will not easily achieve. The following chart omits the value of one-time inducement awards of restricted shares of common stock and stock options to Mr. Macadam and one-time CEO succession awards of restricted shares of common stock made to our executives who report directly to the CEO, including Messrs. Dries, Magee and Childress. These awards are described below in Compensation Analysis In-Service Compensation Long-Term Incentives CEO Succession Equity Awards.

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(1) In light of various inducement awards and other one-time compensation elements granted to Mr. Macadam in 2008 in connection with his joining us as our CEO, the foregoing table presents his direct compensation on a pro forma basis based on the ongoing direct compensation required under his employment agreement of an annual base salary of $825,000, an annual incentive award at target levels equal to 100% of his annual base salary and an LTIP award with a value at target levels of $1,400,000. His actual direct compensation for 2008 with awards at target levels, which included a signing bonus and one-time guarantees of a portion of the amounts to be paid under his LTIP replacement awards, was approximately 56% fixed compensation and 44% variable compensation.

The policy of making variable compensation a significant portion of our executive officers total compensation helps us implement a culture in which the officers know that their pay, to a large extent, depends on the company s performance.

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

***Stock Ownership Policy***

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

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directors meeting held in February of each year. As of February 11, 2009, the date of our February 2009 board of directors meeting, all of our named executive officers held at least the minimum number of shares except Mr. Macadam, who joined our company in April 2008, and Mr. Childress, who joined the company in December 2005.

***Market Competitiveness Analyses***

Each year the committee asks our executive compensation consultant to compare our incumbent named executive officers salaries, target annual bonuses and target long-term incentive awards to those granted to officers in the same positions at other similarly sized diversified manufacturing companies. The goal of these studies is to determine whether our pay levels for these compensation elements is competitive. For the study used to make compensation decisions in 2008, Pearl Meyer used 2006 data (the most recent data then available) from a broad survey group and for a peer group consisting of the following manufacturing companies ranging in revenues from approximately half to approximately two and one-half times our annual revenues, with eight of the 15 companies having 2006 revenues greater than the company s:

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

The peer group selected by Pearl Meyer after consultation with our executive officers and approved by the chairman of the committee is broader than the peer group we use in preparing our five-year performance chart included in our annual report because not all of the companies in our performance-chart peer group report compensation of officers in comparable positions as our executive officers, and by limiting a comparison to those peers we would not have a statistically valid sample group for compensation comparisons for those officers. In addition, we believe that for executive compensation purposes, the relative size and complexity of a company, not the specific category of products manufactured, is more important for compensation comparisons, so this broader group of industrial manufacturers is appropriate for this purpose.

Pearl Meyer compared 2006 data among us and the members of the peer group, calculating our percentile rank on each of the following measures versus the group: sales growth, operating income growth, growth in net income, growth in free cash flow, return on capital, segment profit and three-year total shareholder return. Other than three-year total shareholder return and segment profit margin, which were better than the median, our performance on these measures was at or below the median for the peer group. Pearl Meyer indicated that the performance comparison based on growth measures was skewed since it had not adjusted for growth achieved by a number of peer companies as a result of acquisitions and the company had not meaningfully grown by acquisition during the measurement period. Pearl Meyer concluded that, based on its analysis of this data, the compensation levels paid by the company to its executive officers is consistent with its compensation philosophy.

The consultant also analyzed the three specific compensation elements we awarded each of our named executive officers for 2007 (base salary, annual bonus and long-term incentive opportunity) as compared to those awarded to executive officers with similar responsibilities of each member of the peer group and the broader survey group. Based on that analysis and the comparisons to the relevant medians of the peer group and survey group, Pearl Meyer advised the committee with respect to each of these named executive officers regarding adjustments to base salary, annual incentive award and long-term incentive award.

***Tally Sheets***

At its February 2008 meeting, the committee reviewed and discussed a tally sheet for each of our then executive officers that summarized total compensation for each officer. With the aid of these tally sheets, the committee considered each element of each executive officer s compensation, as well as compensation totals and potential wealth accumulation from vested equity grants, before setting salaries and target bonuses and long-term incentive awards for 2008.

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***Five-Year Compensation History***

At its December 2008 and February 2009 meetings, prior to approving payment on annual incentive and LTIP awards for 2008, the committee reviewed and discussed with the compensation consultant five-year comprehensive compensation data for our executive officers as well as comparative survey compensation data. The committee analyzed this data to confirm whether compensation paid over that longer term was consistent with our objectives and policies or whether current period adjustments to compensation should be made. The committee determined that compensation paid over this longer term is appropriate given our strong financial performance during this period. At the December 2008 meeting, management advised the committee that it implemented a general salary freeze for 2009, including salaries for the executive officers named in the summary compensation table. The committee considered this data in setting base salaries and establishing incentive compensation awards for 2009.

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

In establishing the structure and levels of executive compensation, the committee has been mindful of the potential incentives for risk taking by management to achieve incentives. The committee has sought to balance fixed and variable compensation, short-term and long-term compensation, the performance metrics used in determining incentive compensation and the level of in-service and post-retirement benefits to mitigate against unnecessary or excessive risk taking. At its February 2009 meeting, the committee specifically evaluated whether the company s compensation structure and practices establish incentives for unnecessary or excessive risk taking by management. The committee concluded that the company s compensation structure and practices do not establish incentives for unnecessary or excessive risk taking by management.

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

Regulatory considerations often affect the design of our executive compensation program. The primary example is the limit under Section 162(m) of the federal tax code on the deductibility of compensation in excess of $1 million granted to top officers. There is an exception to the $1 million compensation ceiling for performance-based compensation that is granted in compliance with specified rules. While the committee intends for all compensation to be tax deductible, there may be instances where potentially non-deductible compensation is provided to reward executives consistent with our compensation philosophy for each compensation element. For example, in structuring compensation arrangements for Mr. Macadam, the substitute LTIP awards we made for the three-year cycles ending December 31, 2008 and 2009 would not qualify for the performance-based exception under Section 162(m) because Mr. Macadam s employment had commenced too far into these cycles. While Mr. Macadam wished, and we agreed, that a certain portion of his initial variable compensation be guaranteed at a minimum level, we negotiated that the guarantee apply to these substitute LTIP awards, rather than Mr. Macadam s 2008 annual incentive award which we believe does qualify for the performance-based exception to Section 162(m).

**Compensation Analysis**

We view our compensation program in two discrete categories in-service compensation paid to our officers while they remain employed by our company and post-termination compensation to be received by our officers after they have retired or their employment is otherwise terminated. In making decisions regarding the amount of in-service compensation to be paid to the executive officers, the committee analyzes each component and the total amount of in-service compensation against benchmarks and survey data. The amount that executive officers may receive as retirement and other post-employment compensation is also considered. The committee uses tally sheets to confirm that the overall compensation package is reasonable.

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

### *In-Service Compensation*

Fixed Compensation

We pay each of our executive officers a base salary to give them a relatively secure baseline level of compensation. At its February 2008 meeting, the committee sought to set each executive officer s base salary at or near the market median. The committee adjusted the base salaries of the named executive officers, other than Mr. Schaub, in a range from 0 percent to 2.9 percent, to place the base salaries near the median peer group and survey results based on an analysis prepared by Pearl Meyer. As described above, the committee made an exception from this policy in establishing Mr. Schaub s salary for 2008, as his salary was increased by 6.9 percent.

Mr. Macadam s fixed compensation for 2008 was established in negotiations with him in connection with his recruitment. As we anticipated based on the advice of our executive compensation consultant, in hiring an external candidate to succeed as CEO we were unable to adhere to our philosophy of targeting base salary at or near the market median. Mr. Macadam s fixed compensation for 2008 included compensation paid at an annual rate of $825,000, a signing bonus of $426,000 and a guarantee of $334,671 of his substitute LTIP payment for 2008.

Annual Bonus Opportunity

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

For 2008, 40% of the annual performance plan bonus opportunity for all executive officers was tied to a goal for adjusted net income, 30% was tied to a goal for free cash flow before asbestos and taxes and the remaining 30% to a sales growth goal. The committee set the performance goals and the corresponding bonus opportunities for officers after taking into account management s recommendation. It chose adjusted net income, free cash flow before asbestos and taxes and sales growth as the criteria because all three were central to our 2008 business plan. These measures were also applied by the committee in establishing the prior year s annual bonus opportunity.

Adjusted net income is and has been important because net income figures demonstrate the quality of our earnings as well as our profitability. The committee adjusts this measure to eliminate the impact of asbestos expense and other items because it believes that those adjustments result in a more accurate measure of the operating performance of our businesses. Free cash flow before asbestos historically has been important for the company, and remains important, as an indicator that we can cover our asbestos and other liabilities, reinvest appropriately in our businesses, and still produce significant additional free cash flow. This metric is adjusted to eliminate the impact of taxes, because the committee concluded that tax rates are largely beyond the control of management, and other unusual items (but not including restructuring charges). The committee selected this metric because it believes it is a more direct measure of operating performance. The committee selected sales growth as a performance metric because we wish to emphasize achieving significant profitable growth. The sales growth metric selected by the committee eliminates the impact of fluctuations in foreign currency exchange rates, which is beyond management s control, and of significant acquisitions and dispositions. The committee also chose these three criteria because it believed our executive officers could significantly affect our annual performance in these areas.

The 2008 goals that corresponded to the minimum, target and maximum bonus payout levels are set out in the following table:

| | Minimum | Target (in millions) | Maximum |
|---|---|---|---|
| Adjusted Net Income(1) | $ 84.2 | $ 87.3 | $ 91.3 |
| Free Cash Flow Before Asbestos and Taxes(1) | $ 120.0 | $ 131.6 | $ 143.5 |
| Sales Growth(1) | $ 62.3 | $ 87.6 | $ 128.7 |

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(1) Adjusted net income, free cash flow before asbestos and taxes, and sales growth are not financial measures under GAAP. Adjusted net income is the same as net income, as determined under GAAP, with the after-tax impact of asbestos-related expenses, performance and phantom shares, and any non-operating gains and losses all added back. Free cash flow before asbestos and taxes is equal to net cash provided by operating activities minus capital expenditures with the impact of asbestos-related expenses and taxes added back. Sales growth is a comparison of our revenues, adjusted to eliminate the impact of foreign currency translation and significant acquisitions and dispositions.

Our executive officers annual performance plan bonus opportunities ranged from 40% to 100% of their actual 2008 base salaries. The target bonuses, as percentages of base salary, for the named executive officers were as follows:

| | **Target Bonus, as Percentage of Salary** |
|---|---|
| Macadam | 100 |
| Schaub | 85 |
| Dries | 60 |
| Magee | 55 |
| Childress | 50 |
| Pomeroy | 40 |

Each executive officer s minimum bonus was one half of his target bonus, his maximum bonus was twice the target amount and performance between any of the established goals yielded a proportional award. Each of Mr. Macadam s and Mr. Schaub s actual bonus amount was pro rated for the number of days during 2008 that he was employed by the company.

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

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

Long-Term Incentives

*LTIP.* Each year the committee grants long-term incentive performance awards, in overlapping three-year cycles, to our executive officers to provide them with personal financial motivation to help us reach our longer-term goals. In addition to providing the officers with a long-term stake in our success, we believe these awards serve as a significant retention tool to dissuade them from leaving the company. In view of our higher ratio of the amount of equity awards outstanding to the total number of outstanding shares as compared to peer companies, the committee believes that use of these long-term performance incentive awards are preferable to options or other equity based awards that may

further increase this dilution ratio relative to our peers.

The committee makes these awards under our long-term incentive plan, or LTIP, which our shareholders most recently approved in 2007. The committee established the performance goals and corresponding potential award levels for the 2008-2010 LTIP cycle at its February 2008 meeting. For this cycle, as for the previous three, the committee determined that half of the target award to each executive would consist of performance shares and half of cash. The committee believes that both types of awards align officers long-term interests with those of our shareholders, and that the specific target mix of one-half cash, one-half shares is appropriate to increase management s ownership stake in our company.

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The performance factors and weightings for the awards are as follows:

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

The 2008  2010 goals that corresponded to the minimum, target and maximum payout levels are set out in the following table:

| | Minimum | Target (in millions) | Maximum |
|---|---|---|---|
| EBITDA Before Asbestos | $ 560.00 | $ 604.00 | $ 638.00 |
| Adjusted Earnings Per Share | $ 11.83 | $ 12.64 | $ 13.22 |
| Net Cash Outflow for Asbestos | $ 118.00 | $ 105.00 | $ 94.00 |

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

The committee chose these criteria because of their importance to our long-term performance and because it believes our executive officers can significantly affect our performance in these areas over the three-year period. Moreover, the committee selected EBITDA before asbestos and adjusted earnings per share because it believes that these are the most important metrics to our investors in evaluating the company s performance. Because asbestos liabilities have continued to require significant cash outflows, we also have a goal for net cash flow for asbestos, though with a reduced weighting compared to the other metrics. The committee simplified the LTIP awards for 2008 by using the same metrics and weighting for both the cash and share portions of the awards.

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

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

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

Mr. Macadam was not eligible to receive an LTIP award under our plan for the 2008-2010 LTIP cycle. We agreed that he would be eligible to receive a two-year cycle award for 2009-2010 to be made after January 1, 2009. This two-year-cycle award is in addition to any three-year award made to executive officers generally in 2009.

*CEO Succession Equity Awards.* In 2008, in connection with the CEO succession, we made a number of one-time equity awards. Pursuant to his employment agreement, we awarded Mr. Macadam stock options with respect to 100,000 shares, exercisable at the then fair market value, which options will vest in annual increments of 33.33% on each of the first three anniversaries of the date of his employment. In addition, we also granted him an inducement award of 53,500 shares of restricted stock which vest in annual increments of 33.33% beginning with the third anniversary of the commencement of his employment. These awards were intended in part to replace equity awards granted to Mr. Macadam by his former employer that he forfeited by leaving that firm and in amounts the committee believed necessary to recruit him to join our company. In addition, the delayed vesting period for the shares of restricted stock are also intended to provide an initial incentive for Mr. Macadam to remain with the company for the six years before those shares are fully vested.

Prior to our selection of Mr. Macadam to succeed Mr. Schaub as CEO, we made one-time awards of restricted shares of our common stock to our executives who report directly to the CEO, including Messrs. Dries, Magee and

Childress. These awards vest over three years from the date of the award. The face value of each award was approximately equal to one times the executive s base salary in 2007 and the awards were granted to provide a meaningful incentive for the executive officers to continue as members of the senior management team during the CEO transition and thereafter.

Perquisites

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

In connection with his joining the company and moving to Charlotte, and in recognition of bona fide reasons for Mr. Macadam to continue a family residence in Atlanta for an interim period, we agreed that for a transition period to last until no later than June 1, 2010 we would reimburse him for his expenses in commuting between his residence in Atlanta and our headquarters in Charlotte, including the cost of maintaining an apartment in Charlotte, evening meal costs and transportation costs. In addition, we agreed to make additional payments to indemnify him on a net-after-tax basis for any income tax associated with those reimbursement payments. We also agreed to reimburse his legal costs in negotiating his employment agreement up to $12,500. Mr. Macadam will also be eligible for reimbursement of qualifying expenses under our relocation policy once he permanently relocates to Charlotte.

Other In-Service Benefits

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

- group health, dental and life insurance, part of the cost of which we pay;
- optional term life, accidental death and disability insurance and long-term disability insurance, the cost of which the employee pays; and
- travel and accident insurance, for which we pay.

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

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

401(k) Plan

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

Deferred Compensation Plan

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

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

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Pension and Defined Benefit Restoration Plans

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

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

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

SERP

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

We modeled our SERP after the plan provided by our former shareholder, Goodrich Corporation, which was also Mr. Schaub s prior employer. It pays an additional retirement benefit equal to the combined benefit under our pension plan and restoration plan for the participant s first 15 years of service. This benefit is based on the retiring executive s base salary and annual bonus. LTIP payments and gains from equity grants do not factor into the benefit formula.

Supplemental Retirement and Death Benefits Agreements

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

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

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

he worked with us until retirement. For the death benefits that would have been payable if the agreements had been triggered on December 31, 2008, see Executive Compensation-Potential Payments Upon Termination or Change in Control-Death Benefits Agreements. To avoid duplication, the agreements provide that these death benefits are in lieu of any death benefits otherwise payable under the restoration plan and the SERP.

In 2005, we entered into supplemental retirement and death benefits agreements with these same officers. Under these agreements, we agreed to pay each officer s vested benefits accrued under the SERP and the restoration plan in annual lump sum payments, beginning in 2007 for Mr. Dries and Mr. Magee, and continuing each year thereafter through retirement. Mr. Schaub elected to defer all lump sum payments until his retirement in 2008, with payment to be made in 2009. We make these annual lump-sum payments by transferring to the executive ownership of a portion of the life insurance policy we own on the officer s life. The portion transferred has a cash value equal to the lump sum value of SERP and restoration plan benefits being paid. The death benefit of the transferred policy also reduces the amount that might otherwise become payable under the officer s death benefits agreement. To the extent any policy transfer would cause the recipient s compensation to exceed $1 million for purposes of the federal tax deductibility limit, the portion of the transfer that would have exceeded the limit automatically will be delayed until a later year. We entered into these supplemental agreements in order to meet our obligations under the SERP, restoration plan and death benefits agreements in the most cost-effective manner.

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

Change-In-Control Agreements

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

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

Because the executive must leave the company before becoming entitled to these payments and benefits, the agreement has a double trigger the first trigger is the change in control, and the second trigger is the termination, either by the company other than for cause or by the executive for good reason. The requirement of the second trigger

provides the incentive for the executive to stay with us in the event of a change in control. For more information about these payments and other benefits, see Executive Compensation Potential Payments Upon Termination or Change in Control. The committee has reviewed the amounts that are potentially payable under these agreements and believes that they are reasonable.

Severance Policy

We have written severance policies under which we provide severance benefits to all full-time employees at our corporate office, including our executive officers. Under these policies, an executive officer whom we terminate without cause is entitled to continue receiving his or her base salary for a specified period. The terminated officer is also entitled to receive a pro rata portion of the bonus payable for the year in which the officer is terminated, along with a pro rata payout of all LTIP awards based on the number of completed months in each performance cycle. The period was set based on the relative responsibilities of the executive officers. The period is 24 months for our CEO and 12 months for our other executive officers, which period was reduced in February 2008 from 18 months based on advice from the committee s executive compensation consultant. An executive officer may not receive any payments under the severance policy if the executive officer is entitled to receive payments under the change-in-control continuity agreements described above.

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

**Changes for 2009 Compensation Program**

Given the uncertain economy, we implemented a number of changes to our executive compensation programs for 2009. First, management recommended, and the Compensation and Human Resources Committee approved, that there would be no increase in base salary for our executive officers for 2009. In addition, recognizing the uncertainty of the economic environment in 2009 and beyond, the committee did not make any performance share awards under our LTIP for a 2009-2011 performance cycle. We intend to make awards of restricted stock to individuals who would otherwise have received performance share awards under our LTIP having a value approximately equal to the target value at which we would have set an award of performance shares. These awards of restricted shares would vest with respect to one-half of the shares three years after the date of grant and with respect to the remaining one-half, four years after the date of grant, in each case subject to the executive s continued employment during that period The shares would vest earlier in the event of death, disability or retirement. Because our Amended and Restated 2002 Equity Compensation Plan includes limits on the types of awards that we may make under that plan, in addition to the overall cap on the number of shares that may be awarded under the plan, we will not make these awards of restricted stock unless the Amended and Restated 2002 Equity Compensation Plan is amended, as contemplated by the proposed amendments described elsewhere in this proxy statement, to eliminate this limit on aggregate restricted stock awards. Because the vesting of the shares of restricted stock will not be subject to the achievement of specified performance objectives, the restricted shares will not qualify for the performance-based exception to Section 162(m) of the tax code and accordingly the compensation expense related to such awards to our named executive officers will count toward the $1,000,000 limit on deductibility.

**Conclusion**

We have given careful thought to our executive compensation program, including each element of compensation for each executive officer for 2008. In our view, the program accomplishes our objectives for it. First, we consider the program as a whole to be competitive and believe that it has contributed to our strong retention level for executive officers over the past six years as well as our ability to recruit new executive officers as needed, though as described above we needed to establish levels higher than had been our custom in order to recruit Mr. Macadam. Second, we feel that the program provides appropriate incentives for the executive officers, based on the officers responsibility levels, our short- and longer-term business goals and their ability to contribute to achieving these goals. We believe that the program has contributed significantly to the superior returns our shareholders have received over the past six years. Finally, we believe that the company s compensation structure and practices do not establish incentives for unnecessary or excessive risk taking by management.

Finally, based on those same factors, as well as our operating results, we have concluded that the amount of total compensation paid or awarded to each executive for 2008 was reasonable.



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## EXECUTIVE COMPENSATION

The following information relates to compensation paid or payable for 2008 to:

(1) our CEO;

(2) our CFO;

(3) the three other most highly compensated of our executive officers who were serving as executive officers as of December 31, 2008; and

(4) our former CEO (Mr. Schaub retired as CEO and President effective April 14, 2008).

We refer to these individuals as the named executive officers. We have also included information relating to compensation for 2006 and 2007 for the named executive officers who were also named executive officers in those years.

**Summary Compensation Table**

The following table sets forth for the named executive officers:

their names and positions held in 2008 (column (a));

year covered (column (b));

salaries (column (c));

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

the change for 2008 in the actuarial present value of their benefits under the defined benefit plans in which they participate (column (h)); and

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

| e and Principal ion | Year (b) | Salary($) (c) | Bonus($)(1) (d) | Stock Awards ($)(2) (e) | Stock Options ($)(3) (f) | Non-Equity Incentive Plan Comp.($)(4) (g) | Change in Pension Value and Nonqualified Deferred Comp. Earnings($)(5) (h) | All Other Comp.($) (6) (i) | Total( (j) |
|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 587,019 | 426,000 | 218,221 | 303,399 | 1,183,725 | | 92,404 | 2,810, |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| hen E. adam(7) ident and Chief utive Officer | | | | | | | | | |
| am Dries | 2008 | 348,384 | | 295,108 | | 525,326 | 345,736 | 300,152 | 1,814, |
| or Vice President | 2007 | 340,769 | 20,000 | 302,735 | | 524,760 | 360,417 | 305,026 | 1,853, |
| Chief Financial cer | 2006 | 328,615 | | 272,923 | | 553,632 | 353,875 | 33,781 | 1,542, |
| ard L. Magee | 2008 | 313,000 | | 253,359 | | 446,414 | 176,425 | 130,459 | 1,319, |
| or Vice President, | 2007 | 310,039 | 65,000 | 255,954 | | 447,591 | 154,709 | 250,880 | 1,484, |
| eral Counsel and etary | 2006 | 298,615 | | 239,289 | | 469,833 | 81,557 | 29,542 | 1,118, |
| lton Childress II | 2008 | 248,115 | | 132,528 | | 246,569 | 35,039 | 14,150 | 676, |
| President, | 2007 | 241,384 | | 67,629 | | 166,639 | 34,446 | 27,302 | 537, |
| egic Planning & ness Development | 2006 | 235,154 | 81,250 | 25,939 | | 207,147 | 17,832 | 14,103 | 581, |
| ald G. Pomeroy | 2008 | 193,654 | 15,000 | 33,988 | | 95,433 | 10,895 | 106,942 | 455, |
| President and roller | 2007 | 170,615 | | 65,651 | | 127,947 | 5,747 | 59,878 | 429, |
| her Executive cer: | | | | | | | | | |
| st F. Schaub(9) | 2008 | 647,500 | | 286,078 | | 1,441,255 | 645,562 | 85,243 | 3,105, |
| her President and f | 2007 | 649,615 | | 893,300 | | 1,489,765 | 776,533 | 92,221 | 3,901, |
| utive Officer | 2006 | 629,615 | | 818,714 | | 1,506,185 | 423,589 | 71,657 | 3,449, |

(1) Amounts shown include a hiring bonus that we paid to Mr. Macadam in 2008, a bonus we paid to Mr. Pomeroy in 2008 for having led the finance department at our Garlock Sealing Technologies subsidiary for several months while also serving as our corporate controller, *ex gratia* bonuses approved for Mr. Dries and Mr. Magee for 2007 for additional duties assumed in that year resulting from the departure of another executive and a hiring bonus that we paid Mr. Childress in 2006.

(2) Except as described below, we recognized these amounts as expense in our annual financial statements for performance share awards under our long-term incentive plan (LTIP). For each award, the only assumptions we used in determining these amounts were (a) the number of shares we believed were probable of being earned and (b) the grant date share price, which in each case was the average of the high and low prices of our common

stock on the day prior to the grant date. The amount shown for Mr. Pomeroy for 2007 includes $12,991 of expense recognized in our annual financial statements in connection with the vesting of 3,500 shares of restricted stock on August 1, 2007. For Messrs. Macadam, Dries, Magee and Childress such amounts for 2008 include estimated values of $218,221, $100,335, $91,294 and $70,878, respectively, with respect to one-time awards of restricted shares of our common stock made in 2008. The estimated value of the restricted shares of common stock has been developed solely for purposes of disclosure in accordance with the rules and regulations of the SEC and is consistent with the assumptions we used for SFAS 123(R) reporting for 2008. For these awards, the only assumption we used in determining these amounts was the grant date share price, which in each case was the average of the high and low prices of our common stock on the day prior to the grant date. The above estimates do not reflect any adjustments for risk of forfeiture or restrictions on transferability. The amount included for Mr. Schaub for 2008 reflects reductions for the forfeiture in 2008 of 581 performance shares awarded with respect to the 2006-2008 plan cycle, 7,253 performance shares awarded for the 2007-2009 plan cycle, and 16,690 performance shares awarded for the 2008-2010 plan cycle.

(3) The estimated value of the stock options has been developed solely for purposes of disclosure in accordance with the rules and regulations of the SEC and is consistent with the assumptions we used for SFAS 123(R) reporting for 2008. The estimated value has been determined by application of the Black-Scholes option-pricing model, based upon the terms of the option grants and our stock price performance history as of the date of the grant. The key assumptions are as follows:

| | |
|---|---|
| Risk free interest rate | 2.8% |
| Dividend yield | 0% |
| Volatility factor | 33% |
| Average expected life | 6 years |

Expected volatility was determined using historical market data for our common stock for approximately three years prior to the grant date of the award. The above estimates do not reflect any adjustments for risk of forfeiture or restrictions on transferability. The assumptions used in the valuation are based upon experience, and are not a forecast of future stock price or volatility, or of future dividend policy.

(4) These amounts consist of amounts earned under our annual performance bonus plans and cash awards earned under our LTIP, and for Mr. Macadam consist of amounts, prorated for his period of employment, earned under our annual incentive plan and a cash award under his employment agreement intended to mirror an award under our LTIP (subject to being no less than $334,671). Here is the breakdown for each named executive officer:

| | Year | Annual Bonus | Cash LTIP Award |
|---|---|---|---|
| Macadam | 2008 | $ 723,207 | $ 460,518 |
| Dries | 2008 | 257,526 | 267,800 |
| | 2007 | 282,300 | 242,460 |
| | 2006 | 347,372 | 206,260 |
| Magee | 2008 | 212,089 | 234,325 |
| | 2007 | 235,438 | 212,153 |
| | 2006 | 289,355 | 180,478 |

| | | | |
|---|---|---|---|
| Childress | 2008 | 152,839 | 93,730 |
| | 2007 | 166,639 | |
| | 2006 | 207,147 | |
| Pomeroy | 2008 | 95,433 | |
| | 2007 | 127,947 | |
| Schaub | 2008 | 660,172 | 781,083 |
| | 2007 | 762,385 | 727,380 |
| | 2006 | 887,405 | 618,780 |

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(5) These amounts consist of the following:

| | Year | Increase in Actuarial Present Value Under Pension Plan | Restoration Plan | SERP |
|---|---|---|---|---|
| Macadam | 2008 | | | |
| Dries | 2008 | 34,868 | 131,533 | 179,335 |
| | 2007 | 29,682 | 146,743 | 183,992 |
| | 2006 | 21,440 | 131,854 | 200,581 |
| Magee | 2008 | 24,724 | 63,582 | 88,119 |
| | 2007 | 19,517 | 58,970 | 76,222 |
| | 2006 | 12,320 | 25,239 | 43,998 |
| Childress | 2008 | 18,160 | 16,879 | |
| | 2007 | 15,457 | 18,989 | |
| | 2006 | 16,541 | 1,291 | |
| Pomeroy | 2008 | 10,376 | 519 | |
| | 2007 | 5,260 | 487 | |
| Schaub | 2008 | 27,890 | 292,986 | 324,562 |
| | 2007 | 31,211 | 351,439 | 393,883 |
| | 2006 | 27,461 | 178,475 | 217,653 |

(6) These amounts consist of the following:

| | Year | 401(k) plan match | Amounts paid for life insurance | Non-qualified deferred compensation plan match | Tax gross-ups* | Relocation Expenses | Commuting Expenses** | Medical/Legal Expenses*** |
|---|---|---|---|---|---|---|---|---|
| Macadam | 2008 | | 650 | 34,269 | 24,414 | | 22,238 | 10,833 |
| Dries | 2008 | 13,800 | 650 | 2,791 | 282,911 | | | |
| | 2007 | 13,500 | 875 | 7,740 | 282,911 | | | |
| | 2006 | 13,200 | 757 | 17,341 | 2,483 | | | |
| Magee | 2008 | 13,800 | 650 | 5,989 | 110,020 | | | |
| | 2007 | 13,500 | 875 | 22,464 | 214,041 | | | |
| | 2006 | 13,200 | 689 | 13,595 | 2,058 | | | |
| Childress | 2008 | 13,800 | 350 | | | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2007 | 13,500 | 390 | 13,412 | | | | |
| | 2006 | 12,922 | 541 | 640 | | | | |
| Pomeroy | 2008 | 13,800 | 350 | | 27,242 | 65,187 | | 363 |
| | 2007 | 13,500 | 390 | | | 45,988 | | |
| Schaub | 2008 | 13,800 | 650 | 70,793 | | | | |
| | 2007 | 13,500 | | 78,721 | | | | |
| | 2006 | 13,200 | 114 | 53,197 | 5,146 | | | |

* These tax gross-up payments to Messrs. Dries and Magee are related to the payment of vested benefits accrued under our defined benefit restoration plan and SERP. For Mr. Macadam, the tax gross-up payment is related to the commuting expenses and legal expenses included in the table. For Mr. Pomeroy, the tax gross-up payment is related to his reimbursed relocation expenses.

** Commuting expenses include reimbursement to Mr. Macadam in 2008 of $6,199 for meals and travel expenses from his home in Atlanta to our corporate offices in Charlotte and $16,039 for the expense of an apartment leased by Mr. Macadam in Charlotte.

*** The amount for Mr. Macadam represents legal expenses reimbursed to him pursuant to his employment agreement for legal fees and expenses incurred by him in the negotiation of his employment agreement and for Mr. Pomeroy represents reimbursement for the expense of a physical examination in accordance with company policy.

(7) Mr. Macadam became an executive officer on April 14, 2008.

(8) Mr. Pomeroy became an executive officer effective September 1, 2007, and was previously Vice President Finance at our Garlock Sealing Technologies LLC subsidiary. The amount reported for 2007 includes all compensation received in 2007, including for the period prior to his September 1 promotion.

(9) Mr. Schaub ceased to serve as an executive officer in April 2008 and retired as an employee in December 2008.

The Stock Awards values shown in column (e) of this table include grants of performance shares for three long-term incentive cycles. For 2008, the performance cycles cover the three year periods from 2006-2008, 2007-2009 and 2008-2010 cycles; for 2007, the performance cycles cover the three-year periods from 2005-2007, 2006-2008 and 2007-2009 cycles; and for 2006, the performance cycles cover the three-year periods from 2004-2006, 2005-2007 and 2006-2008. The officers will not actually earn these performance shares unless we achieve pre-established corporate performance goals, and the number of shares they actually earn will be based on our performance as compared to those goals. For more information about our long-term incentive plan, or LTIP, under which we granted these performance share awards, see below under Grants of Plan-Based Awards LTIP Awards.

In February 2009, we paid out awards for our 2006-2008 long-term incentive cycle. Other than with respect to Mr. Macadam who received all payments in cash, we paid a portion of each award in cash and a portion in performance shares, in each case based on achievement of performance goals the Compensation Committee set in early 2006. Participants in this LTIP cycle, including the named executive officers, earned the awards as of December 31, 2008. For this reason, the cash portion of the awards to the named executive officers appears in column (g) of the summary compensation table (see note 4 for the exact amounts). As described above, column (e) includes the amounts we recognized in our annual financial statements for the performance share portion of these awards. For information about the payout of these performance shares, see below under Option Exercises and Stock Vested.

For more information about our annual performance plan bonuses, which are part of the amounts shown in column (g) above (see note 4), see the section below entitled Grants of Plan-Based Awards Annual Performance Plan Awards. That section also describes the plans under which we granted the bonuses.

**Employment Agreement**

On March 7, 2008 our board of directors appointed Stephen E. Macadam to serve as EnPro s President and Chief Executive Officer effective with the commencement of his employment on April 14, 2008. On March 10, 2008, we entered into an employment agreement with Mr. Macadam to establish the terms of his employment. The employment agreement established an initial annual salary of $825,000. The employment agreement provided that upon commencing employment Mr. Macadam would receive a grant under our Amended and Restated 2002 Equity Compensation Plan of stock options with respect to 100,000 shares, exercisable at the then fair market value as provided in that plan ($34.55 per share), which options vest in annual increments of 33.33% on each of the first three anniversaries of the date of his employment. The employment agreement also provided for an inducement award of 53,500 shares of restricted stock which vest in annual increments of 33.33% beginning with the third anniversary of the commencement of his employment. This award was made outside our Amended and Restated 2002 Equity Compensation Plan.

The employment agreement provides that Mr. Macadam will be eligible to participate in our annual incentive plan, with a target opportunity equal to 100% of his annual base salary and a maximum opportunity of 200% of annual base salary. Mr. Macadam received an award under the annual incentive plan for 2008, which was pro rated based on the period of his service during the year.

The employment agreement also provides that commencing on January 1, 2009, Mr. Macadam is eligible to participate in our LTIP plan and on January 1, 2009, he would become eligible to receive two awards issued under the LTIP plan. The first such award is for a two-year performance period 2009 through 2010, with a target incentive of $1,400,000. The second such award is for a three-year performance period 2009 through 2011, also with a target incentive of $1,400,000. Each award is to be governed by the terms and conditions of the LTIP plan. Notwithstanding this provision of the employment agreement, with the consent of Mr. Macadam and consistent with the treatment of other executive officers, we did not award Mr. Macadam the performance share portion of the LTIP award for the

2009-2011 performance cycle. We intend to replace that component of the LTIP award with an award of shares of restricted stock. This award of restricted shares would vest with respect to one-half of the shares three years after the date of grant and with respect to the remaining one-half, four years after the date of grant, in each case subject to Mr. Macadam s continued employment during that period The shares would vest earlier in the event of death, disability or retirement. We will make these awards of shares of restricted stock only if our Amended and Restated 2002 Equity Compensation Plan is amended, as contemplated by the proposed amendments described elsewhere in this proxy statement, to eliminate the limit on the aggregate amount of shares of restricted stock that may be awarded under the plan.

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In addition to these awards under the LTIP plan, the employment agreement provided that Mr. Macadam receive upon commencement of employment two pro rated awards, calculated and paid according to the terms of the LTIP plan but not awarded under the LTIP plan, for the three-year performance cycles ending December 31, 2008 and December 31, 2009. These pro rated awards are to be paid in cash and the employment agreement includes provisions providing for a guarantee of $334,671 for the award for the performance cycle ending December 31, 2008 and an aggregate amount for both of these awards of $668,250.

The employment agreement provided for the payment to Mr. Macadam of a signing bonus of $426,000. During a transition period to end no later than June 1, 2010, we agreed to reimburse Mr. Macadam for his expenses in commuting between his residence in Atlanta to our headquarters in Charlotte, including the cost of maintaining an apartment in Charlotte, evening meal costs and transportation costs. In addition, we agreed to make additional payments to indemnify him on a net-after-tax basis for any income tax associated with those reimbursement payments. Mr. Macadam is also be eligible for reimbursement of qualifying expenses under our relocation policy, with such modifications to that policy to accommodate the commuting period. Mr. Macadam is also be eligible to participate in other benefits and benefit plans made available to our senior executives. We also agreed to reimburse Mr. Macadam for legal fees and expenses, not to exceed $12,500, that he incurred in the course of the negotiation of his employment agreement.

The period of employment under the employment agreement will terminate upon Mr. Macadam s death, resignation or termination of employment by EnPro. We may terminate Mr. Macadam s employment for any reason, and Mr. Macadam may resign his employment for any reason. The employment agreement also provides for the maintenance of confidential information by Mr. Macadam and includes a covenant against certain activities in competition against EnPro for two-years following termination of employment.

Pursuant to the employment agreement, we entered into a management continuity agreement with Mr. Macadam. The management continuity agreement and the provisions for severance in the event of the termination of Mr. Macadam s employment are described below in Potential Payments Upon Termination or Change in Control.

**Grants of Plan-Based Awards**

The following table provides additional information about awards we granted in 2008 to the named executive officers under our 2008 annual performance bonus plans, our LTIP for the 2008-2010 performance cycle, one-time awards of options and restricted shares of common stock, and, for Mr. Macadam, awards under his employment agreement intended to mirror LTIP awards for our 2006-2008 and 2007-2009 performance cycles.

| | | Estimated Future Payouts Under Non-Equity Incentive Plan Awards | | | Estimated Future Payouts Under Equity Incentive Plan Awards | | | All Other Stock Awards: Number of Shares or Units | All Other Option Awards: Number of Securities Underlying Options | Exerci or Base Price of Optio Awards |
|---|---|---|---|---|---|---|---|---|---|---|
| | Grant Date | Threshold ($) | Target ($) | Maximum ($) | Threshold (#) | Target (#) | Maximum (#) | (#) | (#) | ($/Sh |
| Plan | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | (j) | (k) |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| nnual Plan | 4/14/08 | 293,510 | 587,019 | 1,174,038 | | | | | | |
| greement(3) | 4/14/08 | 167,336 | 334,671 | 669,343 | | | | | | |
| greement(3) | 4/14/08 | 400,456 | 800,912 | 1,601,825 | | | | | | |
| greement(3) | 4/14/08 | | | | | | | 53,500 | | |
| 002 Equity an | 4/14/08 | | | | | | | | 100,000 | $ 34.5 |
| nnual Plan | 2/12/08 | 103,200 | 206,400 | 412,800 | | | | | | |
| TIP | 2/12/08 | 129,000 | 258,000 | 516,000 | 4,208 | 8,415 | 16,830 | | | |
| 002 Equity an | 2/12/08 | | | | | | | 11,220 | | |
| nnual Plan | 2/12/08 | 86,075 | 172,150 | 344,300 | | | | | | |
| TIP | 2/12/08 | 101,725 | 203,450 | 406,900 | 3,318 | 6,636 | 13,272 | | | |
| 002 Equity an | 2/12/08 | | | | | | | 10,209 | | |
| nnual Plan | 2/12/08 | 60,750 | 121,500 | 243,000 | | | | | | |
| TIP | 2/12/08 | 36,450 | 72,900 | 145,800 | 1,189 | 2,378 | 4,756 | | | |
| 002 Equity an | 2/12/08 | | | | | | | 7,926 | | |
| nnual Plan | 2/12/08 | 38,000 | 76,000 | 152,000 | | | | | | |
| TIP | 2/12/08 | 23,750 | 47,500 | 95,000 | 775 | 1,549 | 3,098 | | | |
| nnual Plan | 2/12/08 | 278,375 | 556,750 | 1,113,500 | | | | | | |
| TIP | 2/12/08 | 368,438 | 736,875 | 1,473,750 | 12,017 | 24,034 | 48,068 | | | |

(1) Pursuant to our Amended and Restated 2002 Equity Compensation Plan, options are awarded with an exercise price of no less than the fair market value of a share of our common stock of the date of grant, which is defined in the plan to be the mean of the high and low prices per share of trades of our common stock on the New York Stock Exchange on the grant date. On the date of the award of options to Mr. Macadam, the closing price per share of our common stock on the New York Stock Exchange was $34.52.

(2) These numbers are the total grant date fair value under FAS 123(R) of, respectively, the target performance share awards in column (g), the grant date fair value under FAS 123(R) of awards of restricted shares of common stock in column (i) and the grant date fair value under FAS 123(R) of awards of stock options in column (j). For Mr. Schaub, this reflects the forfeiture of 16,690 of the 24,034 performance shares awarded to him in 2008.

(3) Pursuant to his employment agreement, upon commencement of his employment Mr. Macadam received two pro rated awards, calculated and paid according to the terms of the LTIP plan but not awarded under the LTIP plan, for the three-year performance cycles ending December 31, 2008 and December 31, 2009. These pro rated awards are to be paid in cash and the employment agreement includes provisions providing for guarantees of payment of $334,671 for the award for the performance cycle ending December 31, 2008 and an aggregate amount for both of these awards of $668,250. The award of restricted shares of common stock to Mr. Macadam was an inducement award made outside our Amended and Restated 2002 Equity Compensation Plan.

*Annual Performance Plan Awards*

The Compensation Committee granted each named executive officer an annual performance bonus opportunity for 2008 under our management bonus plans. Information about these bonus opportunities is reported in the line beside each officer s name in the table above. Mr. Macadam, Mr. Dries, Mr. Magee and Mr. Schaub participated in our Senior Executive Annual Performance Plan. Mr. Childress and Mr. Pomeroy participated in our Management Annual Performance Plan. The two plans operate identically in all material respects.

The committee established objective corporate performance goals under the plans and communicated them to plan participants in February 2008. For each goal, the committee also assigned a specific weight, i.e., the percentage of the participants total bonuses that the goal would contribute. Under both plans, the 2008 performance goals and weightings were:

| | |
|---|---|
| Adjusted net income | 40% |
| Free cash flow before asbestos and taxes | 30% |
| Sales growth | 30% |

The committee set performance levels for each of these goals, with a threshold level below which participants would not earn a bonus related to the goal, a target level and a maximum level. At the same time, the committee communicated to each participant a total cash bonus opportunity, expressed as a percentage of his base salary. The percentages of salary increased with the level of the job. Each participant had the opportunity to earn 50% of his target bonus for corporate performance at the threshold level, 100% of his target bonus for performance at the target level and 200% of his target bonus for maximum performance. The table above shows the minimum, target and maximum bonus opportunity for each named executive officer.

We exceeded our performance goals for 2008 which resulted in annual bonus payments at 123% of target. These bonuses are included in column (g) of the summary compensation table and broken out in note 4 to the summary compensation table. Each of Mr. Macadam and Mr. Schaub s bonuses were prorated for the number of days he was

employed by us in 2008.

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*LTIP Awards*

Under our LTIP, the committee may provide a long-term incentive opportunity for plan participants in any year. Each opportunity is in the form of a target award based on corporate performance over a three-year cycle. The committee establishes the performance goals and their weightings at the time it grants the awards, which is generally in the first part of the first year in the cycle. For each award, there is also a threshold level of performance below which the participants will earn no award and a maximum performance level that corresponds to the maximum award they can earn.

In February 2008, the committee made target awards under the LTIP to a number of participants, including all of the named executive officers. These awards were for the 2008-2010 performance cycle.

One half of each target award was in performance shares and the other half is to be paid in cash. Each performance share, if earned, will be paid in the form of a share of our common stock. The amount of this potential stock award that we have recognized in our 2008 financial statements for each named executive officer is included in column (e) to the summary compensation table. The award recipients will not actually own any of these shares, however, unless our corporate performance through the end of 2010 at least meets the threshold level.

The performance factors and weightings for the LTIP awards are:

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

The committee set performance levels for each of these goals, with a threshold level below which participants would not earn a bonus related to the goal, a target level and a maximum level. Our Amended and Restated 2002 Equity Compensation Plan governs the performance share awards. In determining the number of performance shares that make up our target awards, the committee begins with target dollar values and divides those values by the fair market value of our common stock. This plan defines fair market value as the average of the high and low sales prices of our common stock on the day prior to the date of grant.

The potential payouts increase with the level of the job. For the 2008-2010 awards, each participant has the opportunity to earn 50% of his target award for corporate performance at the threshold level, 100% of his target award for performance at the target level and 200% of his target award for maximum performance. The table above shows the threshold, target and maximum cash and performance share payouts for this cycle. This information appears on the line below each officer s name.

An award recipient generally must be employed with us on December 31, 2010 to earn an award for the 2008-2010 cycle. The only exceptions under the plan are for death, disability or retirement during the cycle. In any of those events, a recipient will receive a pro rata portion of the award he would have received had he remained employed through the end of 2010.

If we pay any common stock dividends during the performance period, recipients will not receive any dividends on their performance share awards for this cycle unless and until they earn the shares. At that time, they will receive the value of any dividends we have paid during the performance period in the form of additional shares of our common stock (with cash in lieu of fractional shares).

All shares of our common stock that we pay out for this cycle will reduce the number of shares available to be issued under our Amended and Restated 2002 Equity Compensation Plan.

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**Outstanding Equity Awards at Fiscal Year-End**

The next table gives a snapshot as of the end of 2008 of equity awards to our named executive officers, the ultimate outcomes of which the officers have not yet realized. In fact, other than the option awards in column (b), these awards either have not vested or the officers have not yet earned them.

| | Option Awards | | | | Stock Awards | | | |
|---|---|---|---|---|---|---|---|---|
| Name (a) | Number of Securities Underlying Unexercised Options (#) Exercisable (b) | Number of Securities Underlying Unexercised Options (#)(1) Unexercisable (c) | Option Exercise Price ($) (e) | Option Expiration Date (f) | Number of Shares or Units of Stock That Have Not Vested (#)(2) (g) | Market Value of Shares or Units of Stock That Have Not Vested ($) (3) (h) | Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (4) (i) | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) (3) (j) |
| Stephen E. Macadam | | 100,000 | 34.55 | 4/13/2018 | | | | |
| | | | | | 53,500 | 1,152,390 | | |
| William Dries | 60,600 | 0 | 5.51 | 7/30/2012 | | | | |
| | 42,500 | 0 | 4.10 | 2/11/2010 | | | | |
| | | | | | 11,220 | 241,679 | | |
| | | | | | | | 15,447 | 332,728 |
| Richard L. Magee | 53,000 | 0 | 5.51 | 7/30/2012 | | | | |
| | 27,900 | 0 | 4.10 | 2/11/2010 | | | | |
| | | | | | 10,209 | 219,902 | | |
| | | | | | | | 12,181 | 262,379 |
| J. Milton Childress II | | | | | 7,926 | 170,726 | | |
| | | | | | | | 4,365 | 94,022 |
| Donald G. Pomeroy II | 10,600 | 0 | 5.51 | 7/30/2012 | | | | |
| | 7,500 | 0 | 4.10 | 2/11/2010 | | | | |
| | | | | | | | 2,639 | 56,844 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Former Executive Officer: | | | | | | |
| Ernest F. Schaub | 179,673 | 0 | 5.51 | 7/30/2012 | | |
| | 18,000 | 0 | 4.10 | 2/11/2010 | | |
| | | | | | 44,118 | 950,302 |

(1) The options vest in annual increments of 33.33% beginning on April 14, 2009.

(2) The restricted shares of common stock awarded to Mr. Macadam vest in annual increments of 33.33% beginning on April 14, 2011. The restricted shares of common stock awarded to Messrs. Dries, Magee and Childress vest in annual increments of 33.33% beginning on February 12, 2009.

(3) We calculated these values using a price of $21.54, the closing price per share of our common stock on the New York Stock Exchange on December 31, 2008.

(4) For each of the named executive officers, these numbers consist of target performance share awards for the 2007-2009 and 2008-2010 LTIP cycles. The awards for the 2007-2009 cycle generally will vest December 31, 2009 and the awards for the 2008-2010 cycle generally will vest December 31, 2010.

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**Option Exercises and Stock Vested**

This table provides information about amounts the named executive officers realized in 2008 from equity awards.

| | Option Awards | | Stock Awards | |
|---|---|---|---|---|
| Name (a) | Number of Shares Acquired on Exercise (#) (b) | Value Realized on Exercise ($) (c) | Number of Shares Acquired on Vesting (#) (d) | Value Realized on Vesting ($) (e)(1) |
| Stephen E. Macadam | | | | |
| William Dries | | | 10,375 | 218,083 |
| Richard L. Magee | 9,100 | 158,522 | 9,078 | 190,820 |
| J. Milton Childress II | | | 3,631 | 76,324 |
| Donald G. Pomeroy II | | | 1,906 | 40,064 |
| Former Executive Officer: | | | | |
| Ernest F. Schaub | 50,951 | 1,666,043 | 30,262 | 636,107 |

(1) We calculated these values using a price of $21.02 per share, the average of the high and low prices of our common stock on December 31, 2008.

**Pension Benefits**

The next table shows information about the named executive officers accumulated benefits under our defined benefit pension plans. The information includes the present value of accumulated benefit for each officer under each plan. This is the lump sum value, as of December 31, 2008, of the annual benefit earned as of that date that would be payable under each plan at the officer s retirement, assuming he retired at the earliest age at which his benefits would not be reduced. The present value of accumulated benefit is an estimate only. Each officer s actual benefit under these plans will depend on his compensation and years of service at retirement or termination, and on other data used in the benefit calculations. The assumptions used to estimate these benefits are the same as those assumptions used in Note 12 to our Consolidated Financial Statements in our 2008 annual report.

| Name (a) | Plan Name (b) | Number of Years Credited Service (#) (c) | Present Value of Accumulated Benefit ($) (d) | Payments During Last Fiscal Year ($) (e)(1) |
|---|---|---|---|---|
| Stephen E. Macadam(2) | N/A | | | |
| William Dries | Pension | 7.00 | 172,324 | |

| | | | | |
|---|---|---|---|---|
| | Restoration | 7.00 | 252,838 | 148,426 |
| | SERP | 6.58 | 344,076 | 201,574 |
| Richard L. Magee | Pension | 7.00 | 115,483 | |
| | Restoration | 7.00 | 63,134 | 58,624 |
| | SERP | 6.58 | 85,561 | 77,487 |
| J. Milton Childress II | Pension | 3.08 | 50,229 | |
| | Restoration | 3.08 | 37,159 | |
| Donald G. Pomeroy II(3) | Pension | 11.58 | 99,790 | |
| | Restoration | 11.58 | 8,811 | |
| Former Executive Officer: | | | | |
| Ernest F. Schaub | Pension | 6.50 | 210,651 | |
| | Restoration | 6.50 | 1,545,311 | |
| | SERP | 6.50 | 1,800,541 | |

(1) Does not include tax gross-up payments to Mr. Dries of $282,911 and to Mr. Magee of $110,020 with respect to payments made under the restoration plan and the SERP. The tax gross-up payments are included in the amounts shown in column (i) of the Summary Compensation Table entitled All Other Compensation.

(2) Mr. Macadam does not participate in any of our defined benefit plans. All existing defined benefit plans were closed to new participants prior to his joining EnPro.

(3) Number of years of credited service includes prior service under the pension plan maintained by our subsidiary, Coltec Industries Inc.

We maintain three defined benefit plans. One, which we refer to as our pension plan, is a broad-based plan that provides funded, tax-qualified benefits up to the limits on compensation and benefits under the Internal Revenue Code. The second provides unfunded, non-qualified benefits in excess of the limits that apply to the pension plan. We call this one the restoration plan. The third is a supplemental executive retirement plan, or SERP, that provides additional unfunded, non-qualified benefits to certain officers.

***Pension Plan***

Benefits under our pension plan are paid as a life annuity, with monthly payments. Benefit amounts for salaried employees depend on a participant s pay and credited service with our company. For benefits accrued due to service with the company through December 31, 2006, the monthly payments will be reduced by 4% per year if a participant chooses to receive payments before age 62. There will be no reduction in the amount of the payments if the participant waits until after age 62. For benefits accrued due to service after December 31, 2006, the monthly payments will be reduced by 5% per year if the participant chooses to begin receiving payments before age 65.

Pay used to determine a salaried participant s benefit amount is the average compensation over the final 60 months of employment, or the highest consecutive 60 months of compensation during the last 120 months of employment, whichever is greater. For purposes of the plan, compensation means base pay plus annual bonus awards. However, compensation for the pension plan is limited under the federal tax code. The limit was $230,000 in 2008. In addition, benefits provided under the pension plan may not exceed a benefit limit under the federal tax code. In 2008, this limit was $185,000, payable as a single life annuity beginning at normal retirement age.

We established the pension plan to provide tax-qualified retirement benefits for most of our full-time employees of the company. In 2006, we began to phase out participation in this plan for salaried employees, replacing it with an additional benefit under our 401(k) plan, and at that time the pension plan was closed to new participants. However, salaried employees who were hired prior to January 1, 2006, and who were at least age 40 on December 31, 2006, were offered a choice to continue to accrue benefits under the pension plan. Mr. Pomeroy was not 40 years old as of that date, and therefore was not offered the choice to continue as a participant in the pension plan. Each of the other named executive officers chose to continue to accrue future benefits under the pension plan rather than to receive the additional benefit under our 401(k) plan. Mr. Dries is eligible for early retirement under our pension plan.

As required by federal pension laws, benefits under the pension plan are funded by assets held in a tax-exempt trust.

***Restoration Plan***

The restoration plan provides a benefit that is equal to the benefit that would be provided under the pension plan if the federal tax code compensation and benefit limits did not exist, minus the benefit actually provided under the pension plan. In addition, the restoration plan provides benefits on compensation that is deferred and not taken into account

under the pension plan.

The definition of compensation is the same as the definition used for the pension plan, except that compensation includes amounts deferred pursuant to our non-qualified deferred compensation plan.

Vested benefits are generally payable in an actuarially equivalent single cash payment following termination of employment. For certain executive officers with whom we have entered into supplemental retirement and death benefits agreements, payments will be made annually as benefits accrue up to retirement. However, under the

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agreements, we may delay these annual pre-retirement payments to the extent that Section 162(m) of the federal tax code would limit our tax deduction for them. See Compensation Discussion and Analysis Compensation Program Design and Tools Impact of Tax and Accounting Rules.

Employees participate in the restoration plan only with board approval. All of the named executive officers, other than the former executive officers, participate in this plan.

Because this a non-qualified plan, benefits are unsecured, and a participant s claim for benefits under the plan is no greater than the claim of a general creditor.

***SERP***

At December 31, 2008, there were only two participants in the SERP continuing to accrue benefits Mr. Dries and Mr. Magee. These individuals earn an additional benefit under the SERP equal to the combined benefit under our pension plan and restoration plan for their first 15 years of service. The SERP takes into account service only for periods beginning on or after June 1, 2002 for this purpose. Mr. Schaub participated in the SERP and ceased to accrue benefits upon his retirement on December 1, 2008.

Under the supplemental retirement and death benefits agreements we have entered into with each of the SERP participants, we will pay SERP benefits annually as they accrue, up to retirement. However, under the agreements, we may delay the annual pre-retirement payments to the extent that Section 162(m) of the federal tax code would limit our tax deduction for them. See Compensation Discussion and Analysis Compensation Program Design and Tools Impact of Tax and Accounting Rules.

Like the restoration plan, the SERP is unsecured, and a participant s claim for benefits under the SERP is no greater than the claim of a general creditor.

**Non-Qualified Deferred Compensation**

We provide a plan that allows our executive officers to defer compensation each year beyond the limits that apply to deferrals under our tax-qualified 401(k) plan for salaried employees. We also make contributions to the officers plan accounts to match some of their contributions.

This table provides information about amounts we and the executives contributed to the plan in 2008, and about earnings and withdrawals under the plan. The last column shows each officer s total account balance as of the end of the year.

| | Executive | Registrant | Aggregate | Aggregate |
|---|---|---|---|---|