

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 29, 2001

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-11625



Pentair, Inc.

(Exact name of Registrant as specified in its charter)

Minnesota
(State or other jurisdiction of incorporation or organization)

41-0907434
(I.R.S. Employer Identification number)

1500 County Road B2 West, Suite 400, St. Paul, Minnesota
(Address of principal executive offices)

55113
(Zip code)

Registrant's telephone number, including area code: **(651) 636-7920**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

On October 26, 2001, 49,057,615 shares of the Registrant's common stock were outstanding.

Pentair, Inc. and Subsidiaries

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Pentair, Inc. and Subsidiaries
Condensed Consolidated Statements of Income (Unaudited)

	Three months ended		Nine months ended	
	September 29 2001	September 30 2000	September 29 2001	September 30 2000
<i>In thousands, except per-share data</i>				
Net sales	\$ 646,559	\$ 691,784	\$ 2,020,018	\$ 2,073,236
Cost of goods sold	487,033	518,925	1,525,723	1,528,328
Gross profit	159,526	172,859	494,295	544,908
Selling, general and administrative	100,537	104,295	307,112	310,477
Research and development	7,805	7,214	22,794	23,360
Restructuring charge (income)	—	—	—	(2,468)
Operating income	51,184	61,350	164,389	213,539
Net interest expense	14,409	18,753	48,366	56,280
Other expense	—	—	2,500	—
Income from continuing operations before income taxes	36,775	42,597	113,523	157,259
Provision for income taxes	12,104	14,576	39,733	56,924
Income from continuing operations	24,671	28,021	73,790	100,335
Loss from discontinued operations, net of tax	—	(14,382)	—	(16,797)
Cumulative effect of accounting change, net of tax	—	—	—	(1,222)
Net income	\$ 24,671	\$ 13,639	\$ 73,790	\$ 82,316

Earnings per common share

<i>Basic</i>				
Continuing operations	\$ 0.50	\$ 0.58	\$ 1.50	\$ 2.07
Loss from discontinued operations	—	(0.30)	—	(0.35)
Cumulative effect of accounting change	—	—	—	(0.02)
Basic earnings per common share	\$ 0.50	\$ 0.28	\$ 1.50	\$ 1.70

<i>Diluted</i>				
Continuing operations	\$ 0.50	\$ 0.58	\$ 1.50	\$ 2.06
Loss from discontinued operations	—	(0.30)	—	(0.35)
Cumulative effect of accounting change	—	—	—	(0.02)
Diluted earnings per common share	\$ 0.50	\$ 0.28	\$ 1.50	\$ 1.69

Weighted average common shares outstanding

Basic	49,082	48,521	49,040	48,497
Diluted	49,410	48,568	49,270	48,628

Cash dividends declared per common share	\$ 0.18	\$ 0.17	\$ 0.52	\$ 0.49
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See accompanying notes to condensed consolidated financial statements.

Pentair, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

	September 29 2001 (Unaudited)	December 31 2000	September 30 2000 (Unaudited)
<i>In thousands, except share and per-share data</i>			
Assets			
Current assets			
Cash and cash equivalents	\$ 32,816	\$ 34,944	\$ 54,387
Accounts and notes receivable, net	460,732	468,081	524,631
Inventories	343,127	392,495	422,909
Deferred income taxes	73,675	72,577	51,349
Prepaid expenses and other current assets	28,551	22,442	31,245
Net assets of discontinued operations	106,683	101,263	130,335
Total current assets	1,045,584	1,091,802	1,214,856

Property, plant and equipment, net	340,187	352,984	351,203
Other assets			
Goodwill, net	1,111,992	1,141,102	1,142,047
Other	93,814	58,137	59,838
Total other assets	1,205,806	1,199,239	1,201,885
Total assets	<u>\$ 2,591,577</u>	<u>\$ 2,644,025</u>	<u>\$ 2,767,944</u>
Liabilities and Shareholders' Equity			
Current liabilities			
Short-term borrowings	\$ 61,890	\$ 108,141	\$ 198,351
Current maturities of long-term debt	4,371	23,999	22,584
Accounts and notes payable	207,721	250,088	243,436
Employee compensation and benefits	75,645	84,197	90,622
Accrued product claims and warranties	40,221	42,189	42,991
Income taxes	16,066	5,487	30,997
Other current liabilities	125,333	134,691	110,881
Total current liabilities	531,247	648,792	739,862
Long-term debt	781,885	781,834	827,891
Pension and other retirement compensation	69,733	61,715	58,161
Postretirement medical and other benefits	33,317	34,213	33,636
Deferred income taxes	41,956	37,133	4,296
Other noncurrent liabilities	66,643	69,747	75,470
Total liabilities	1,524,781	1,633,434	1,739,316
Commitments and contingencies			
Shareholders' equity			
Common shares — par value \$0.16 ^{2/3} ; 49,041,646, 48,711,955 and 48,522,688 shares issued and outstanding, respectively	8,174	8,119	8,087
Additional paid-in capital	475,774	468,425	462,019
Retained earnings	616,377	568,084	602,785
Unearned restricted stock compensation	(10,898)	(7,285)	(4,758)
Accumulated other comprehensive loss	(22,631)	(26,752)	(39,505)
Total shareholders' equity	1,066,796	1,010,591	1,028,628
Total liabilities and shareholders' equity	<u>\$ 2,591,577</u>	<u>\$ 2,644,025</u>	<u>\$ 2,767,944</u>

See accompanying notes to condensed consolidated financial statements.

Pentair, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows (Unaudited)

<i>In thousands</i>	Nine months ended	
	September 29 2001	September 30 2000
Operating activities		
Net income	\$ 73,790	\$ 82,316
Depreciation	48,662	45,471
Amortization	30,966	29,281
Deferred income taxes	3,843	(1,669)
Restructuring charge (income)	—	(2,468)
Other expense, write-off of investment	2,500	—
Cumulative effect of accounting change	—	1,222
Changes in assets and liabilities, net of effects of business acquisitions		
Accounts and notes receivable	5,416	(43,911)
Inventories	47,978	(78,297)
Prepaid expenses and other current assets	(11,963)	(19,933)
Accounts payable	(40,418)	28,662
Employee compensation and benefits	(8,353)	(3,471)
Accrued product claims and warranties	(1,887)	(5,422)
Income taxes	10,922	16,405
Other current liabilities	(8,018)	(17,224)
Pension and post-retirement benefits	7,614	4,399
Other assets and liabilities	(4,851)	(15,643)
Net cash provided by continuing operations	156,201	19,718
Net cash provided by (used for) discontinued operations	(8,944)	13,177
Net cash provided by operating activities	147,257	32,895
Investing activities		
Capital expenditures	(37,639)	(43,556)
Acquisitions, net of cash acquired	(1,937)	—
Equity investments	(20,564)	—
Other	—	(371)
Net cash used for investing activities	(60,140)	(43,927)

Financing activities		
Net short-term borrowings (repayments)	(46,937)	47,739
Proceeds from long-term debt	2,676	6,030
Repayment of long-term debt	(22,582)	(35,135)
Proceeds from exercise of stock options	1,492	1,619
Repurchases of common stock	(1,458)	(410)
Dividends paid	(25,499)	(23,767)
Net cash used for financing activities	(92,308)	(3,924)
Effect of exchange rate changes on cash	3,063	6,328
Change in cash and cash equivalents	(2,128)	(8,628)
Cash and cash equivalents, beginning of period	34,944	63,015
Cash and cash equivalents, end of period	\$ 32,816	\$ 54,387

See accompanying notes to condensed consolidated financial statements.

Notes to condensed consolidated financial statements (unaudited)

1. Basis of Presentation and Responsibility for Interim Financial Statements

We prepared the unaudited condensed consolidated financial statements following the requirements of the Securities and Exchange Commission (SEC) for interim reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by accounting principles generally accepted in the United States can be condensed or omitted. We made certain reclassifications to the 2000 condensed consolidated financial statements to conform to the 2001 presentation.

We are responsible for the unaudited financial statements included in this document. The financial statements include all normal recurring adjustments that are considered necessary for the fair presentation of our financial position and operating results. As these are condensed financial statements, one should also read our consolidated financial statements and notes thereto which are included in our 2000 Annual Report on Form 10-K.

Revenues, expenses, cash flows, assets and liabilities can and do vary during each quarter of the year. Therefore, the results and trends in these interim financial statements may not be the same as those for the full year.

2. Cumulative Effects of Changes in Accounting Principles

Effective January 1, 2001, we adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133), as amended. These standards require us to recognize all derivatives as either assets or liabilities at fair value in our balance sheet. If the derivative is designated as a fair-value hedge, the changes in the fair value of the derivative and the hedged item is recognized in earnings. If the derivative is designated and is effective as a cash-flow hedge, changes in the fair value of the derivative is recorded in other comprehensive income (OCI) and is recognized in the consolidated statements of income when the hedged item affects earnings. SFAS 133 defines new requirements for designation and documentation of hedging relationships as well as ongoing effectiveness assessments in order to use hedge accounting. For a derivative that is not designated as or does not qualify as a hedge, changes in fair value are reported in earnings immediately.

The adoption of SFAS 133 on January 1, 2001, resulted in an increase to other assets and other noncurrent liabilities of \$7.5 million and \$0.8 million, respectively, and a cumulative transition adjustment of \$6.7 million in OCI. The transition adjustment relates to our hedging activities through December 31, 2000. Prior to the adoption of SFAS 133, financial instruments designated as cash-flow hedges were not recorded in the financial statements, but cash flows from such contracts were recorded as adjustments to earnings as the hedged items effected earnings.

In December 1999, the Securities and Exchange Commission (SEC) staff issued Staff Accounting Bulletin No. 101, *Revenue Recognition in Financial Statements* (SAB 101), which among other guidance, clarified the Staff's views on various revenue recognition and reporting matters.

In the fourth quarter of 2000, we changed our method of accounting for certain sales transactions to comply with SAB 101. As a result of this change, we reported a change in accounting principle in accordance with APB Opinion No. 20 (APB 20), *Accounting Changes*, by a cumulative effect adjustment. Because we are a calendar year entity that adopted SAB 101 in the fourth quarter of 2000, the cumulative effect of the change was included in the first quarter of 2000 pursuant to APB 20, which requires that the change be made as of the beginning of the year (January 1, 2000) and that the financial information for pre-change interim periods be restated by applying SAB 101 to those periods. Accordingly, the quarterly results for 2000 were restated pursuant to the adoption of SAB 101.

3. Comprehensive Income

Comprehensive income and its components, net of tax, are as follows:

	Three months ended		Nine months ended	
	September 29 2001	September 30 2000	September 29 2001	September 30 2000
<i>In thousands</i>				
Net income	\$ 24,671	\$ 13,639	\$ 73,790	\$ 82,316
Changes in cumulative translation adjustment	13,300	(13,702)	(1,912)	(23,906)
Changes in market value of derivative financial instruments classified as cash flow hedges	(4,008)	—	(193)	—
Unrealized loss from marketable securities classified as available for sale	(39)	—	(513)	—
Cumulative effect of accounting change — SFAS 133	—	—	6,739	—
Comprehensive income (loss)	\$ 33,924	\$ (63)	\$ 77,911	\$ 58,410

4. Earnings Per Common Share

Basic and diluted earnings per share were calculated using the following:

	Three months ended	Nine months ended
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<i>In thousands, except per-share data</i>	September 29 2001	September 30 2000	September 29 2001	September 30 2000
Earnings per common share — basic				
Income from continuing operations	\$ 24,671	\$ 28,021	\$ 73,790	\$ 100,335
Loss from discontinued operations	—	(14,382)	—	(16,797)
Cumulative effect of accounting change	—	—	—	(1,222)
Income available to common shareholders	<u>\$ 24,671</u>	<u>\$ 13,639</u>	<u>\$ 73,790</u>	<u>\$ 82,316</u>
Continuing operations	\$ 0.50	\$ 0.58	\$ 1.50	\$ 2.07
Loss from discontinued operations	—	(0.30)	—	(0.35)
Cumulative effect of accounting change	—	—	—	(0.02)
Earnings per common share	<u>\$ 0.50</u>	<u>\$ 0.28</u>	<u>\$ 1.50</u>	<u>\$ 1.70</u>
Earnings per common share — diluted				
Income from continuing operations	\$ 24,671	\$ 28,021	\$ 73,790	\$ 100,335
Loss from discontinued operations	—	(14,382)	—	(16,797)
Cumulative effect of accounting change	—	—	—	(1,222)
Income available to common shareholders	<u>\$ 24,671</u>	<u>\$ 13,639</u>	<u>\$ 73,790</u>	<u>\$ 82,316</u>
Continuing operations	\$ 0.50	\$ 0.58	\$ 1.50	\$ 2.06
Loss from discontinued operations	—	(0.30)	—	(0.35)
Cumulative effect of accounting change	—	—	—	(0.02)
Earnings per common share	<u>\$ 0.50</u>	<u>\$ 0.28</u>	<u>\$ 1.50</u>	<u>\$ 1.69</u>
Weighted average common shares outstanding — basic	49,082	48,521	49,040	48,497
Dilutive impact of stock options and restricted stock	328	47	230	131
Weighted average common shares outstanding — diluted	<u>49,410</u>	<u>48,568</u>	<u>49,270</u>	<u>48,628</u>

The computations of diluted earnings per share do not include 1.1 million and 1.5 million of anti-dilutive stock options with exercise prices greater than the average market price of our common stock in the third quarter of 2001 and 2000, respectively, and 1.4 million and 0.9 million for the year-to-date periods, respectively.

5. Inventories

Inventories were comprised of:

<i>In thousands</i>	September 29 2001 <i>(Unaudited)</i>	December 31 2000	September 30 2000 <i>(Unaudited)</i>
Raw materials and supplies	\$ 103,096	\$ 110,935	\$ 102,649
Work-in-process	42,760	48,392	48,123
Finished goods	197,271	233,168	272,137
Total inventories	<u>\$ 343,127</u>	<u>\$ 392,495</u>	<u>\$ 422,909</u>

6. Restructuring Charge

In the fourth quarter of 2000, we initiated a restructuring program to decentralize certain corporate service functions and reorganize our Tools segment infrastructure. As a result, we recorded a restructuring charge of \$26.8 million. Cash outlays associated with the charge were \$13.2 million in the first nine months of 2001.

The components of the restructuring charge and utilization are as follows:

<i>In thousands</i>	Initial accrual	Utilization		Balance September 29 2001
		Year 2000	Nine months 2001	
Employee termination benefits	\$ 7,888	\$ —	\$ (7,706)	\$ 182
Non-cash asset disposals	10,518	(10,518)	—	—
Exit costs	8,394	(87)	(5,475)	2,832
	<u>\$ 26,800</u>	<u>\$ (10,605)</u>	<u>\$ (13,181)</u>	<u>\$ 3,014</u>

Included in other current liabilities in the September 29, 2001 condensed consolidated balance sheet is the unused portion of the restructuring charge of \$3.0 million. We expect to complete restructuring activities in the fourth quarter of 2001.

Workforce reductions related to the restructuring charge was for approximately 225 employees, all of which have been terminated as of the end of the third quarter of 2001. Employee termination benefits are primarily for severance related costs and outplacement counseling fees. Non-cash asset disposals related to the restructuring charge consisted of the abandonment of leasehold improvements and the abandonment of internal use software under development. Exit costs are primarily related to contract and lease termination costs.

7. Business Segments

Financial information by reportable business segment is included in the following summary:

<i>In thousands</i>	Three months ended		Nine months ended ⁽¹⁾	
	September 29 2001	September 30 2000	September 29 2001	September 30 2000
Net sales to external customers				
Tools	\$ 250,677	\$ 280,203	\$ 776,974	\$ 787,188

Water	231,565	214,119	693,434	707,813
Enclosures	164,317	197,462	549,610	578,235
Consolidated	\$ 646,559	\$ 691,784	\$ 2,020,018	\$ 2,073,236

Operating income (loss)

Tools	\$ 17,524	\$ 10,772	\$ 43,605	\$ 51,183
Water	28,427	28,512	92,270	100,709
Enclosures	8,740	24,786	39,811	73,774
Corporate/other	(3,507)	(2,720)	(11,297)	(12,127)
Consolidated	\$ 51,184	\$ 61,350	\$ 164,389	\$ 213,539

- (1) Tools segment operating income reflects a one-time pre-tax cost to establish an additional \$5.0 million in accounts receivable reserves in the second quarter of 2000. Tools and Enclosures segment operating income includes restructuring charge income of \$1,171 and \$1,297, respectively, recorded in the first quarter of 2000 due to a change in estimate of 1999 restructuring liabilities.

Corporate/other operating income (loss) is primarily composed of unallocated corporate expenses, and expenses of our insurance subsidiary, intermediate finance companies, as well as intercompany eliminations.

8. Acquisitions

In February 2001, we acquired Taunus, a Brazilian enclosures manufacturer, for approximately \$6.9 million cash including debt assumed of \$1.7 million. Goodwill recorded as part of the purchase was \$5.4 million and is being amortized over 20 years.

In the second quarter of 2001, we received \$5.0 million for the settlement of a purchase price dispute related to an earlier acquisition. The amount received was accounted for as a reduction in goodwill.

9. Equity Investments

In the second quarter of 2001, we invested \$3.0 million to take a minority equity interest in a privately-held developer and manufacturer of laser leveling and measuring devices. This investment is accounted for under the cost method and is included in *Other assets* in the condensed consolidated balance sheet.

We are investing approximately \$24.6 million to take a 40 percent interest in certain joint venture operations of an Asian supplier for bench and portable tools, of which \$17.6 million has been paid. We hold an option to increase our ownership interest in these joint ventures to as much as 100 percent. These investments are accounted for under the equity method and are included in *Other assets* in the condensed consolidated balance sheet. Our portion of the earnings of these joint ventures is included in cost of goods sold.

10. Discontinued Operations

In December 2000, we adopted a plan to sell our Equipment segment businesses, Century/Lincoln Automotive and Lincoln Industrial. In July 2001, we signed a definitive purchase agreement to sell our wholly owned Lincoln Industrial automated lubrication and materials dispensing business to a company newly formed by The Jordan Company LLC of New York, NY. The sale of our wholly-owned automotive service equipment business occurred on October 15, 2001. We expect to complete the sale of our automated lubrication business later in the fourth quarter of this year, subject to completion of the buyer's financing arrangements. Cash from these sales will be used to reduce our debt.

We have accounted for the Equipment segment as discontinued operations in these financial statements. In the third quarter and first nine months of 2001, we had a net loss from discontinued operations of \$3.4 million and \$5.7 million, respectively, which was deferred because an immaterial net gain or loss is expected upon disposal. The net loss is included as part of the net assets of discontinued operations in the condensed consolidated balance sheets. The loss from discontinued operations includes an allocation of Pentair's interest expense. Net assets of discontinued operations at September 29, 2001, consisted of net current assets of \$67.9 million, net property, plant and equipment of \$26.4 million, and net noncurrent assets of \$12.4 million.

11. New Accounting Standards

In June 2001, the Financial Accounting Standards Board approved Statements of Financial Accounting Standards No. 141, *Business Combinations* (SFAS 141), and No. 142, *Goodwill and Other Intangible Assets* (SFAS 142). SFAS 141 requires that all Business combinations subsequent to June 30, 2001 be accounted for under the purchase method of accounting. SFAS 142 eliminates the amortization of goodwill and requires periodic evaluation of the goodwill carrying value. The provisions of SFAS 142 are effective for fiscal years beginning after December 15, 2001. Our goodwill amortization for the first nine months of 2001 was \$27.2 million and \$36.4 million for the year ended December 31, 2000. We are currently in the process of assessing the impact of adopting these new standards.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our disclosure and analysis in this report may contain some forward-looking statements. Forward-looking statements give our current expectations or forecasts of future events. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expected," "intend," "estimate," "anticipate," "believe," "project," or "continue," or the negative thereof or similar words. From time to time, we also may provide oral or written forward-looking statements in other materials we release to the public. Any or all of our forward-looking statements in this report and in any public statements we make could be materially different from actual results. They can be affected by assumptions we might make or by known or unknown risks or uncertainties. Consequently, no forward-looking statements can be guaranteed. Actual results may vary materially. Investors are cautioned not to place undue reliance on any forward-looking statements. Investors should also understand that it is not possible to predict or identify all such factors and should not consider the following list to be a complete statement of all-potential risks and uncertainties.

Any change in the following factors may impact the achievement of results:

- changes in industry conditions, such as:
 - the strength of product demand;
 - the intensity of competition;
 - pricing pressures;

- market acceptance of new product introductions;
- the introduction of new products by competitors;
- our ability to source components from third parties without interruption and at reasonable prices; and
- the financial condition of our customers.
- changes in our business strategies;
- general economic conditions, such as the rate of economic growth in our principal geographic or product markets or fluctuations in exchange rates;
- changes in operating factors, such as continued improvement in manufacturing activities and the achievement of related efficiencies and inventory risks due to shifts in market demand; and
- our ability to accurately evaluate the effects of contingent liabilities such as taxes, product liability, environmental, and other liabilities.

The foregoing factors are not exhaustive, and new factors may emerge or changes to the foregoing factors may occur that would impact our business.

RESULTS OF OPERATIONS

The following table sets forth information from our condensed consolidated statements of income.

In thousands	Three months ended			Nine months ended		
	September 29	September 30	Percentage	September 29	September 30	Percentage
	2001	2000	point change	2001	2000	point change
Net sales	\$ 646,559	\$ 691,784		\$ 2,020,018	\$ 2,073,236	
Cost of goods sold	487,033	518,925		1,525,723	1,528,328	
Gross profit	159,526	172,859		494,295	544,908	
% of net sales	24.7%	25.0%	(0.3) pts	24.5%	26.3%	(1.8) pts
SG&A and R&D	108,342	111,509		329,906	333,837	
% of net sales	16.8%	16.1%	0.7 pts	16.3%	16.1%	0.2 pts
Restructuring charge (income)	—	—		—	(2,468)	
% of net sales	nm	nm		nm	(0.1%)	
Operating income	51,184	61,350		164,389	213,539	
% of net sales	7.9%	8.9%	(1.0) pts	8.1%	10.3%	(2.2) pts
Net interest expense	14,409	18,753		48,366	56,280	
% of net sales	2.2%	2.7%	(0.5) pts	2.4%	2.7%	(0.3) pts
Other expense	—	—		2,500	—	
% of net sales	nm	nm		0.1%	nm	
Income from continuing operations before income taxes	36,775	42,597		113,523	157,259	
% of net sales	5.7%	6.2%	(0.5) pts	5.6%	7.6%	(2.0) pts
Provision for income taxes	12,104	14,576		39,733	56,924	
Effective tax rate	32.9%	34.2%	(1.3) pts	35.0%	36.2%	(1.2) pts
Income from continuing operations	24,671	28,021		73,790	100,335	
% of net sales	3.8%	4.1%	(0.3) pts	3.7%	4.8%	(1.1) pts
Loss from discontinued operations, net of tax	—	(14,382)		—	(16,797)	
Cumulative effect of accounting change, net of tax	—	—		—	(1,222)	
Net income	\$ 24,671	\$ 13,639		\$ 73,790	\$ 82,316	

Percentages may reflect rounding adjustments.

SG&A and R&D — Selling, general and administrative; and Research and development.

nm — not measured

Net sales

The components of the net sales decreases were as follows:

	% change from 2000	
	Third quarter	Nine months
Volume	(6.1%)	(1.8%)
Price	0.2%	0.0%
Currency	(0.6%)	(0.8%)
Total net sales decrease	(6.5%)	(2.6%)

Net sales in the third quarter and first nine months of 2001 totaled \$646.6 million and \$2,020.0 million, compared with \$691.8 million and \$2,073.2 million for the same periods in 2000. The third quarter decrease of \$45.2 million or 6.5 percent was primarily due to volume declines in our Tools and Enclosures segments due to weaker economic conditions, partially offset by volume growth in our Water segment. The increase in third quarter Water segment sales reflects late season sales of pool and spa equipment products, partially offset by weaker demand for industrial pumps. The decrease of \$53.2 million or 2.6 percent in the first nine months was primarily due to volume declines in our Water and Enclosures segments and lower selling prices in our Tools segment stemming from the mid-2000 price discounting activities. The volume declines in our Water and Enclosures segments reflect weaker economic conditions and decreased customer capital spending for industrial pumps and enclosure products. The negative currency impact on third quarter and year-to-date 2001 sales reflects the year-over-year decline primarily in the value of certain European currencies relative to the U.S. dollar.

Given the prevailing economic conditions, we expect fourth quarter earnings to be comparable to those of the third quarter, at best.

Sales by segment and the change from the prior year periods were as follows:

In thousands	Three months ended				Nine months ended			
	September 29	September 30	Favorable (Unfavorable)		September 29	September 30	Favorable (Unfavorable)	
	2001	2000	\$ change	% change	2001	2000	\$ change	% change
Tools	\$ 250,677	\$ 280,203	\$ (29,526)	(10.5%)	\$ 776,974	\$ 787,188	\$ (10,214)	(1.3%)
Water	231,565	214,119	17,446	8.1%	693,434	707,813	(14,379)	(2.0%)
Enclosures	164,317	197,462	(33,145)	(16.8%)	549,610	578,235	(28,625)	(5.0%)
Total	\$ 646,559	\$ 691,784	\$ (45,225)	(6.5%)	\$ 2,020,018	\$ 2,073,236	\$ (53,218)	(2.6%)

Tools

The 10.5 percent and 1.3 percent declines in Tools segment sales in the third quarter and first nine months of 2001 from 2000 was primarily driven by:

- lower sales volume in the third quarter of 2001 for generators and Delta products due to the weaker economy; and
- lower selling prices in 2001, stemming from the mid-2000 price discounting activities, which was done to recover market share in our Porter-Cable/Delta business, and has subsequently resulted in challenges in reestablishing previous price levels.

These decreases were partially offset by:

- increased pressure washer sales in the third quarter and first nine months of 2001; and
- higher sales volume for Porter-Cable products in the third quarter and first nine months of 2001.

We are successfully implementing our turnaround strategies to return the Tools segment to more historical profitability levels. Some of the initiatives we are undertaking include:

- **cost reduction** through supply chain management and the introduction of lean manufacturing processes;
- overhauling our **pricing** practices by creating a more-robust pricing process and reducing price discounting activities;
- intensifying our focus on addressing the needs of previously under-served channels and geographies and aggressively positioning the businesses to regain brand preference in the markets we serve through **channel management**;
- increasing **innovation** through new product development; and
- improved **leadership** that is now driving productivity change throughout the organization.

Water

The 8.1 percent increase in Water segment sales in the third quarter of 2001 from 2000 was primarily due to:

- higher sales of pool and spa equipment products due to late season sales; and
- slight increases in average selling prices.

These increases were partially offset by:

- lower sales volume for our industrial pumps as a weaker economy slowed demand; and
- unfavorable foreign currency translation resulting from the stronger U.S. dollar.

The 2.0 percent decline in Water segment sales in the first nine months of 2001 from 2000 was primarily due to:

- lower volume for our industrial pumps as a weaker economy slowed demand; and
- unfavorable foreign currency translation resulting from the stronger U.S. dollar.

These increases were partially offset by:

- higher sales of pool and spa equipment products due to increased market share; and
- slight increases in average selling prices.

Because we experienced a late start and later-than-typical finish in the 2001 pool equipment sales season, we remain cautious about the potential impact that a softer economy may have on these businesses going into the fourth quarter of 2001 and early part of 2002.

Enclosures

The 16.8 percent and 5.0 percent declines in Enclosures segment sales in the third quarter and first nine months of 2001 from 2000 was primarily due to:

- lower sales volume, especially in Europe where sales in that region are off approximately 35 percent in the third quarter from year-earlier levels, reflecting reduced capital spending in the industrial market, coupled with the downturn in the datacom and telecom markets; and
- unfavorable foreign currency translation resulting from the stronger U.S. dollar.

These decreases were partially offset by:

- slight increases in average selling prices; and
- the February 2001 acquisition of Taunus, a Brazilian enclosures manufacturer.

Gross profit

Gross profit margin was 24.7 percent and 24.5 percent of net sales in the third quarter and first nine months of 2001, compared with 25.0 percent and 26.3 percent of net sales for the same periods last year.

The 0.3 percentage point decline in the third quarter of 2001 from 2000 was primarily the result of:

- lower sales volume resulting in unabsorbed overhead.

This decrease was partially offset by:

- slight increases in average selling prices;
- savings resulting from our supply chain management and lean enterprise initiatives;
- income generated from our joint venture operations; and
- the February 2001 acquisition of Taunus, a Brazilian enclosures manufacturer.

The 1.8 percentage point decline in the first nine months of 2001 from 2000 was primarily the result of:

- lower sales volume resulting in unabsorbed overhead;
- unfavorable product mix on pass through equipment, primarily in our enclosures business;
- higher pension expense due to lower returns on pension assets; and
- higher energy costs resulting from an increase in oil and gas prices.

These decreases were partially offset by:

- savings resulting from our supply chain management and lean enterprise initiatives;
- income generated from our joint venture operations; and
- the February 2001 acquisition of Taunus.

SG&A and R&D

SG&A and R&D expenses were 16.8 percent and 16.3 percent of net sales in the third quarter and first nine months of 2001, up 0.7 and 0.2 percentage points from the same periods in 2000. The 0.7 percentage point increase in the third quarter of 2001 stems from the 35 percent sales decline in our European enclosures business with more restrictive opportunities to decrease costs at the same rate, and higher investments related to new product development initiatives in our Tools segment. The 0.2 percentage point increase in the first nine months of 2001 primarily reflects the previously mentioned European enclosures sales decline and additional spending to redefine and streamline company-wide business processes primarily in the areas of supply chain management and lean enterprise to improve our overall cost structure. We have been able to take out costs in our North American enclosures operations at a faster rate than the overall sales decline. We have new management in place within the European enclosures business and its focus is to make significant cost reductions and position the business to compete in this challenging economy.

Operating income

Operating income by segment and the change from the prior year periods were as follows:

In thousands	Three months ended			Nine months ended ^{(1) (2)}		
	September 29 2001	September 30 2000	Percentage point change	September 29 2001	September 30 2000	Percentage point change
Tools	\$ 17,524	\$ 10,772		\$ 43,605	\$ 51,183	
% of net sales	7.0%	3.8%	3.2 pts	5.6%	6.5%	(0.9) pts
Water	28,427	28,512		92,270	100,709	
% of net sales	12.3%	13.3%	(1.0) pts	13.3%	14.2%	(0.9) pts
Enclosures	8,740	24,786		39,811	73,774	
% of net sales	5.3%	12.6%	(7.3) pts	7.2%	12.8%	(5.6) pts
Corporate/other	(3,507)	(2,720)		(11,297)	(12,127)	
Total	\$ 51,184	\$ 61,350		\$ 164,389	\$ 213,539	
% of net sales	7.9%	8.9%	(1.0) pts	8.1%	10.3%	(2.2) pts

- (1) Tools segment operating income reflects a one-time pre-tax cost to establish an additional \$5.0 million in accounts receivable reserves in the second quarter of 2000.
- (2) Tools and Enclosures segment operating income includes restructuring charge income of \$1,171 and \$1,297, respectively, recorded in the first quarter of 2000 due to a change in estimate of 1999 restructuring liabilities.

Tools

Tools segment operating income was 7.0 percent and 5.6 percent of sales in the third quarter and first nine months of 2001, compared with 3.8 percent and 6.5 percent of sales in the prior year periods.

The 3.2 percentage point increase in the third quarter of 2001 from 2000 was primarily the result of:

- savings resulting from our supply chain management initiatives;
- favorable product mix;
- lower advertising costs; and
- income generated from our joint venture operations.

These increases were partially offset by:

- lower sales volume, primarily for generators and Delta products due to the weaker economy;
- lower selling prices in 2001, stemming from the mid-2000 price discounting activities;
- additional spending in 2001 for new product development and to redefine and streamline business processes; and
- higher pension costs due to lower return on pension assets.

The 0.9 percentage point decline in Tools segment operating income in the first nine months of 2001 from 2000 was primarily due to:

- lower selling prices in 2001, stemming from the mid-2000 price discounting activities;
- additional spending in 2001 for new product development and to redefine and streamline business processes;
- higher warranty costs;
- higher pension costs due to lower return on pension assets; and
- restructuring charge income recorded in the first quarter of 2000.

These decreases were partially offset by:

- savings in 2001 resulting from our supply chain management initiatives; and
- lower 2001 bad debt expense, due to the establishment of \$5.0 million in accounts receivable reserves in the second quarter of 2000.

Water

Water segment operating income was 12.3 percent and 13.3 percent of sales in the third quarter and first nine months of 2001, compared with 13.3 percent and 14.2 percent of sales in the prior year periods.

The 1.0 percentage point and 0.9 percentage point declines in Water segment operating income in the third quarter and first nine months of 2001 from 2000 was primarily due to:

- lower sales volume in our higher margin pump and water treatment businesses which have been more directly affected by the economic slowdown's impact on capital spending; and
- unfavorable foreign currency effects.

These decreases were partially offset by:

- higher sales of pool and spa equipment products due to late season sales in the third quarter and increased market share; and
- slight increases in average selling prices.

Enclosures

Enclosures segment operating income was 5.3 percent and 7.2 percent of sales in the third quarter and first nine months of 2001, compared with 12.6 percent and 12.8 percent of sales in the prior year periods.

The 7.3 percentage point and 5.6 percentage point declines in Enclosures segment operating income in the third quarter and first nine months of 2001 from 2000 was primarily due to:

- lower sales volume, especially in our European operations in the third quarter of 2001, reflecting reduced capital spending in the industrial market, coupled with the downturn in the datacom and telecom markets;
- unfavorable product mix;
- higher energy and higher pension costs; and
- restructuring charge income recorded in the first quarter of 2000 (only affects first nine months comparison).

These decreases were partially offset by:

- increases in average selling prices.

Net interest expense

Net interest expense was \$14.4 million and \$48.4 million in the third quarter and first nine months of 2001, compared with \$18.8 million and \$56.3 million for the same periods last year. The \$4.4 million and \$7.9 million declines primarily reflect lower average borrowings driven by our strong cash flow performance in the first nine months of 2001 and lower interest rates on our variable debt.

Provision for income taxes

Our effective tax rate on continuing operations was 35.0 percent for the first nine months of 2001, compared with 36.2 percent for the comparable period in 2000. The decrease of 1.2 percentage points reflects a change in U.S. versus foreign earnings mix in 2001 compared to 2000 and implementation of additional tax planning strategies.

Other expense

In the first quarter of 2001, we incurred a non-cash charge of \$2.5 million for the write-off of our business-to-business e-commerce equity investment that we made in early 2000.

Discontinued operations

In December 2000, we adopted a plan to sell our Equipment segment businesses, Century/Lincoln Automotive and Lincoln Industrial. In July 2001, we signed a definitive purchase agreement to sell our wholly owned Lincoln Industrial automated lubrication and materials dispensing business to a company newly formed by The Jordan Company LLC of New York, NY. The sale of our wholly-owned automotive service equipment business occurred on October 15, 2001. We expect to complete the sale of our automated lubrication business later in the fourth quarter of this year, subject to completion of the buyer's financing arrangements. Cash from these sales will be used to reduce our debt.

We have accounted for the Equipment segment as discontinued operations in these financial statements. In the third quarter and first nine months of 2001, we had a net loss from discontinued operations of \$3.4 million and \$5.7 million, respectively, which was deferred because an immaterial net gain or loss is expected upon disposal. The net loss is included as part of the net assets of discontinued operations in the condensed consolidated balance sheets. The loss from discontinued operations includes an allocation of Pentair's interest expense. Net assets of discontinued operations at September 29, 2001, consisted of net current assets of \$67.9 million, net property, plant and equipment of \$26.4 million, and net noncurrent assets of \$12.4 million.

LIQUIDITY AND CAPITAL RESOURCES

To fund investing and financing activities, committed revolving credit facilities are used to complement operating cash flows. In maintaining this financial flexibility, levels of debt will vary depending on operating results. Because of the seasonality of some of our businesses, particularly the pool and spa equipment business and the tools business, we generally experience negative cash flows from operations in the first half of any given year. However, due to our emphasis on working capital management in 2001, we generated \$147.2 million of cash from operating activities in the first nine months of the year, which net of \$37.6 million of capital expenditures, resulted in a positive free cash flow of \$109.6 million.

The following table presents selected quarterly measures of our liquidity calculated from our monthly operating results:

	September 29 2001	September 30 2000
Days of sales in accounts receivable	64	69
Days inventory on hand	73	82
Days in accounts payable	61	63
Cash conversion cycle	76	88

Operating activities

Operating activities provided \$147.2 million in the first nine months of 2001, compared with \$32.9 million for the same period in 2000. The \$114.3 million increase in the first nine months of 2001 over 2000 was primarily due to better management of accounts receivable and inventories, offset by accounts payable resulting from the timing of payments. We reduced days of sales in accounts receivable and days inventory on hand by 5 days and 9 days, respectively.

Investing activities

Capital expenditures in the first nine months of 2001 were \$37.6 million, compared with \$43.6 million for the same period in 2000. We anticipate capital expenditures in 2001 to be approximately \$70 million. The anticipated expenditures are expected to be in the areas of tooling for new product development, factory expansion in low cost areas, and additional machinery and equipment for cost reductions. We are reviewing all capital projects in light of current economic conditions and are making adjustments to plans as appropriate.

In the first quarter of 2001, we acquired Taunus, a Brazilian enclosures manufacturer for \$6.9 million cash including debt assumed of \$1.7 million. The acquisition was financed through borrowings under our credit facilities. In the second quarter of 2001, we received \$5.0 million for the settlement of a purchase

price dispute related to an earlier acquisition.

In the second quarter of 2001, we invested \$3.0 million to take a minority equity interest in a privately-held developer and manufacturer of laser leveling and measuring devices. We are investing approximately \$24.6 million to take a 40 percent interest in certain joint venture operations of an Asian supplier for bench and portable tools, of which \$17.6 million has been paid. We hold an option to increase our ownership interest in these joint ventures to as much as 100 percent.

Financing activities

As of the end of the third quarter of 2001, our capital structure was comprised of \$61.9 million in short-term borrowings, \$786.3 million in long-term debt (including current maturities), and \$1,066.8 million in shareholders' equity. The ratio of debt-to-total capital as of the end of the third quarter of 2001 was 44.3 percent, compared with 47.5 percent as of the end of 2000 and 50.5 percent as of the end of the third quarter of 2000. The 3.2 percentage point decline from the end of 2000, reflects a decrease in our total debt and an increase in our equity resulting from our strong cash flow performance. Our targeted debt-to-total capital ratio is 40 percent. As of September 29, 2001, we had \$705.0 million in committed revolving credit facilities with various banks, of which \$266.7 million was unused.

Dividends paid in the first nine months of 2001 were \$25.5 million, or \$0.52 per common share, compared with \$23.8 million, or \$0.49 per common share for the same period in 2000.

In addition to measuring our cash flow generation or usage based upon operating, investing, and financing classifications included in the condensed consolidated statements of cash flows, we also measure our free cash flow. We define free cash flow as cash flow from operating activities less capital expenditures, including both continuing and discontinued operations. We had positive free cash flow of \$109.6 million in the first nine months of 2001, compared with a negative \$10.7 million for the same period in 2000. We intend to increase our free cash flow by continuing to reduce inventories and improve collection of accounts receivable. We also have changed our management incentive targets to include more emphasis on improving free cash flow.

We believe cash generated from operating activities, together with credit available under committed credit facilities and our current cash position, will provide adequate short-term and long-term liquidity.

NEW ACCOUNTING STANDARDS

In June 2001, the Financial Accounting Standards Board approved Statements of Financial Accounting Standards No. 141, Business Combinations (SFAS 141), and No. 142, Goodwill and Other Intangible Assets (SFAS 142). SFAS 141 requires that all Business combinations subsequent to June 30, 2001 be accounted for under the purchase method of accounting. SFAS 142 eliminates the amortization of goodwill and requires periodic evaluation of the goodwill carrying value. The provisions of SFAS 142 are effective for fiscal years beginning after December 15, 2001. Our goodwill amortization for the first nine months of 2001 was \$27.2 million and \$36.4 million for the year ended December 31, 2000. We are currently in the process of assessing the impact of adopting these new standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our market risk during the nine months ended September 29, 2001. For additional information, refer to Item 7A on page 19 of our 2000 Annual Report on Form 10-K.

PART II OTHER INFORMATION

ITEM 1. Legal Proceedings

Horizon Litigation

There have been no further material developments regarding the Horizon litigation from that contained in our 2000 Annual Report on Form 10-K.

Discontinued Paper

We have received claims for indemnification from purchasers of the paper businesses divested in 1995. These claims relate to a variety of environmental issues. We believe we have adequate accruals for potential liabilities arising from these claims.

Other

We are occasionally a party to litigation arising in the normal course of business. We regularly analyze current information and, as necessary, provide accruals for probable liabilities based on the expected eventual disposition of these matters. We believe the effect on our consolidated results of operations and financial position, if any, for the disposition of all currently pending matters will not be material.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- 3.2** Amended and Restated By-Laws as amended effective October 24, 2001.
- 10.26** Amended and Restated 364-Day Credit Agreement dated as of August 30, 2001, between Pentair and Various Financial Institutions and Bank One, NA, as Syndication Agent.
- 10.31** Employment Agreement dated October 17, 2001, between Pentair, Inc. and Richard J. Cathcart.
- 10.32** Retirement Agreement and Release dated August 6, 2001, between Pentair, Inc. and Joseph R. Collins.

(b) Reports on Form 8-K

None.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on November 5, 2001.

PENTAIR, INC.
Registrant

By /s/ David D. Harrison

David D. Harrison

Executive Vice President and Chief Financial Officer
(Chief Accounting Officer)

**PROPOSED RESOLUTION AMENDING BY-LAWS
FOR ADOPTION BY BOARD OF DIRECTORS OF
PENTAIR, INC.**

WHEREAS, the Direct Registration Profile Modification System (DRPMS) will be effective for all NYSE listed securities on or after November 1, 2001;

WHEREAS, the NYSE requires all listed companies to ensure that Bylaws in effect permit book-entry or direct registration of all shares issued by NYSE issuers by November 1, 2001;

WHEREAS, Minnesota corporate law permits issuance of securities by Minnesota corporations in certificate-less or book entry form, by adoption of enabling resolutions in corporate articles or bylaws;

WHEREAS, the Corporation has issued book entry securities in the past and desires to ratify and confirm that practice in conjunction with the implementation of the DRPMS system for brokerage and other transactions;

NOW, THEREFORE, BE IT HEREBY

RESOLVED, that the Corporation adopt an amendment to its Bylaws, as restated August 23, 2000, in the form of Exhibit A, in order to ensure compliance with NYSE requirements for qualification for DRPMS and similar book entry or direct registration transactions;

FURTHER RESOLVED, that the Board hereby ratifies, confirms and approves all issuances of book entry or other certificate-less securities of the Corporation whether made prior to or following the effective date of this amendment to the Corporation's Bylaws; and

FURTHER RESOLVED, that any one or more of the Corporation's officers is hereby authorized and directed to take any and all actions necessary or appropriate to carry out the intent of this resolution.

ARTICLE IV

Capital Stock

Section 1. Certificates for Shares. Every owner of shares of the Corporation shall be entitled to a certificate, to be in such form as shall be prescribed by the Board of Directors, certifying the number of shares of the Corporation owned by such shareholder. The certificates for such shares shall be numbered in the order in which they shall be issued and shall be signed, in the name of the Corporation, by the Chairman, Chief Executive Officer or President and by the Chief Financial Officer, Treasurer or Secretary of the Corporation or by such officers as the Board of Directors may designate. If the certificate is signed by a transfer agent or registrar, such signatures of the corporate officers may be by facsimile if authorized by the Board of Directors. Every certificate surrendered to the Corporation for exchange or transfer shall be canceled, and no new certificate or certificates shall be issued in exchange for any existing certificate until such existing certificate shall have been so canceled, except in cases provided for in Section 4 of this Article IV. Notwithstanding the foregoing, unless the Board of Directors shall provide otherwise, all of the shares of the Corporation may be issued without certificates.

* * *

Section 3. Transfer of Shares. Transfer of shares on the books of the Corporation may be authorized only by the shareholder, or the shareholder's legal representative, or the shareholder's duly authorized attorney-in-fact, and, in the case of shares represented by certificates, upon surrender of the certificate or the certificates for such shares or, in the case of shares without certificates, by delivery of written assignment in respect of the shares being transferred. The Corporation may treat as the absolute owner of shares of the Corporation, the person or persons in whose name shares are registered on the books of the Corporation.

AMENDED AND RESTATED 364-DAY CREDIT AGREEMENT

dated as of August 30, 2001

among

PENTAIR, INC.,

Various Financial Institutions,

BANK ONE, NA,
as Syndication Agent,THE BANK OF TOKYO-MITSUBISHI, LTD.,
MORGAN GUARANTY TRUST COMPANY OF NEW YORK
andU.S. BANK NATIONAL ASSOCIATION,
as Co-Documentation Agents,FLEET NATIONAL BANK
and
FIRST UNION NATIONAL BANK,
as Co-Agents,

and

BANK OF AMERICA, N.A.,
as Administrative AgentBANC OF AMERICA SECURITIES LLC
and
BANC ONE CAPITAL MARKETS, INC.
Co-Lead Arrangers and Co-Book Managers

AMENDED AND RESTATED 364-DAY CREDIT AGREEMENT

THIS AMENDED AND RESTATED 364-DAY CREDIT AGREEMENT dated as of August 30, 2001 is among PENTAIR, INC. (the "Company"), the financial institutions listed on the signature pages hereof (the "Lenders"), BANK ONE, N.A., as Syndication Agent, and BANK OF AMERICA, N.A., as Administrative Agent.

WHEREAS, the Company, various financial institutions (the "Existing Lenders") and the Administrative Agent entered into a 364-Day Credit Agreement dated as of September 2, 1999 (as amended, the "Credit Agreement"; terms defined in the Credit Agreement are, unless otherwise defined herein or the context otherwise requires, used herein as defined therein); and

WHEREAS, the parties hereto desire to amend the Credit Agreement as set forth herein and to restate the Credit Agreement in its entirety to read as set forth in the Credit Agreement with the amendments specified below;

NOW, THEREFORE, the parties hereto agree as follows:

SECTION 1 Amendments. Effective as of the date hereof and subject to the occurrence of the Restatement Effective Date (as defined below), the Credit Agreement shall be amended as set forth below:

1.1 Extension of Termination Date. The definition of the term "Termination Date" in Section 1.01 shall be amended by deleting the date "August 30, 2001" therein and substituting the date "August 29, 2002" therefor.

1.2 Amendment to Schedule 2.01. Schedule 2.01 is amended in its entirety by substituting Schedule 2.01 hereto therefor.

1.3 Amendment to Exhibit H. Exhibit H is amended in its entirety by substituting Exhibit H hereto therefor.

SECTION 2 Representations and Warranties. The Company represents and warrants to the Lenders and the Administrative Agent that: (a) each of the representations and warranties of the Company set forth in the Credit Agreement, as amended and restated hereby (as so amended and restated, the "Restated Credit Agreement") is true and correct as of the date hereof, with the same effect as if made on such date (except to the extent such representations and warranties expressly refer to an earlier date, in which case they were true and correct as of such earlier date); (b) the execution and delivery hereof by the Company and the performance by the Company of its obligations under the Restated Credit Agreement (i) are within the powers of the Company, (ii) have been

duly authorized by all necessary action on the part of the Company, (iii) have received all necessary governmental approval and (iv) do not and will not contravene or conflict with (x) any provision of law or the certificate of incorporation or by-laws or other organizational documents of the Company or (y) any agreement, judgment, injunction, order, decree or other instrument which is binding upon the Company or any of its Subsidiaries; and (c) the Restated Credit Agreement is the legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency or other similar laws of general application affecting the enforcement of creditors' rights or by general principles of equity limiting the availability of equitable remedies.

SECTION 3 Effectiveness. The Restated Credit Agreement shall become effective on the date (the "Restatement Effective Date") when the Administrative Agent shall have received:

- (a) Restated Credit Agreement. Signature pages hereto signed by the Company, each of the Lenders and the Administrative Agent (it being understood that Administrative Agent may rely on a facsimile of any signature page as if it were an original).
- (b) Resolutions: Incumbency.
 - (i) Copies of resolutions of the board of directors of the Company authorizing the execution and delivery of this agreement and the consummation of the transactions contemplated hereby, certified as of the Restatement Effective Date by the Secretary or an Assistant Secretary of the Company, and
 - (ii) A certificate of the Secretary or an Assistant Secretary of the Company certifying the names and true signatures of the officers of the Company authorized to execute and deliver this agreement.
- (c) Confirmation. A Confirmation substantially in the form of Exhibit A signed by each Subsidiary Guarantor.
- (d) Certificate. A certificate of the President, the chief financial officer, the chief accounting officer or the vice president-treasurer of the Company, dated as of the Restatement Effective Date, stating that:
 - (i) the representations and warranties contained in Section 2 are true and correct on and as of such date, as though made on and as of such date,
 - (ii) no Event of Default or Unmatured Event of Default exists or would result from the effectiveness of this agreement, and
 - (iii) since December 31, 2000, no event or circumstance has occurred that has resulted or could reasonably be expected to result in a Material Adverse Effect.
- (e) Legal Opinion. An opinion of Louis L. Ainsworth, Senior Vice President and General Counsel of the Company, substantially in the form of Attachment 1.
- (f) Other Documents. Such other documents as the Administrative Agent or any Lender may reasonably request.
- (g) Payment of Obligations. Evidence of payment by the Company of all amounts payable under the Credit Agreement (other than contingent indemnification obligations) and all accrued and unpaid fees, costs and expenses payable hereunder to the extent then due.

SECTION 4 Miscellaneous.

- 4.1 Amendment and Restatement. Upon the effectiveness hereof, the Credit Agreement shall be restated in its entirety to read as set forth in the Credit Agreement as amended hereby and all rights and obligations of the parties shall be as set forth in the Restated Credit Agreement (except that any provision of the Credit Agreement which by its terms survives termination thereof shall remain in full force and effect).
- 4.2 Counterparts. This agreement may be executed in any number of counterparts and by the different parties on separate counterparts, and each such counterpart shall be deemed to be an original but all such counterparts shall together constitute one and the same agreement.
- 4.3 Expenses. The Company agrees to pay all reasonable costs and expenses of the Administrative Agent, including reasonable fees and charges of counsel to the Administrative Agent, in connection with the preparation, execution and delivery of this agreement.
- 4.4 Governing Law. This agreement shall be a contract made under and governed by the laws of the State of Illinois applicable to contracts made and to be performed entirely within such State.
- 4.5 Successors and Assigns. This agreement shall be binding upon the Company, the Lenders and the Administrative Agent and their respective successors and assigns, and shall inure to the benefit of the Company, the Lenders and the Administrative Agent and the respective successors and assigns of the Lenders and the Administrative Agent.

IN WITNESS WHEREOF, the parties hereto have caused the Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

PENTAIR, INC.

By: _____
 Title: _____

BANK OF AMERICA, N.A.,
 as Administrative Agent and as a Lender

By: _____
Title: _____

BANK ONE, NA (Main Office Chicago)

By: _____
Title: _____

THE BANK OF TOKYO-MITSUBISHI, LTD.

By: _____
Title: _____

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

By: _____
Title: _____

U.S. BANK NATIONAL ASSOCIATION

By: _____
Title: _____

FLEET NATIONAL BANK

By: _____
Title: _____

FIRST UNION NATIONAL BANK

By: _____
Title: _____

BANCA NAZIONALE DEL LAVORO S.P.A. NEW YORK BRANCH

By: _____
Title: _____

By: _____
Title: _____

THE INDUSTRIAL BANK OF JAPAN, LIMITED

By: _____
Title: _____

CREDIT LYONNAIS CHICAGO BRANCH

By: _____
Title: _____

By: _____
Title: _____

NATIONAL CITY BANK

By: _____
Title: _____

BANCA ANTONVENETA NEW YORK BRANCH

By: _____
Title: _____

By: _____
Title: _____

BANK HAPOALIM B.M.

By: _____
Title: _____

By: _____
Title: _____

MELLON BANK, N.A.

By: _____
Title: _____

THE DAI-ICHI KANGYO BANK, LTD.

By: _____
Title: _____

BANCA DI ROMA – CHICAGO BRANCH

By: _____
Title: _____

By: _____
Title: _____

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: _____
Title: _____

By: _____
Title: _____

BNP PARIBAS

By: _____
Title: _____

By: _____
Title: _____

THE BANK OF NEW YORK

By: _____
Title: _____

SANWA BANK LIMITED

By: _____
Title: _____

By: _____
Title: _____

SCHEDULE 2.01

Lender	Commitment	Pro Rata Share
Bank of America, N.A.	\$ 30,000,000	9.523809523%
Bank One, NA	\$ 30,000,000	9.523809523%
The Bank of Tokyo-Mitsubishi, Ltd.	\$ 30,000,000	9.523809523%
Morgan Guaranty Trust Company of New York	\$ 30,000,000	9.523809523%
U.S. Bank National Association	\$ 30,000,000	9.523809523%
Fleet National Bank	\$ 20,000,000	6.349206349%
First Union National Bank	\$ 20,000,000	6.349206349%
Banca Nazionale del Lavoro S.p.A. New York Branch	\$ 17,000,000	5.396825396%
The Industrial Bank of Japan, Limited	\$ 10,000,000	3.174603174%
Credit Lyonnais Chicago Branch	\$ 10,000,000	3.174603174%
National City Bank	\$ 10,000,000	3.174603174%
Banca Antonveneta New York Branch	\$ 10,000,000	3.174603174%
Bank Hapoalim B.M.	\$ 10,000,000	3.174603174%
Mellon Bank, N.A.	\$ 10,000,000	3.174603174%
The Dai-Ichi Kangyo Bank, Ltd.	\$ 8,500,000	2.698412698%
Banca di Roma – Chicago Branch	\$ 8,500,000	2.698412698%
Wells Fargo Bank, National Association	\$ 8,500,000	2.698412698%
BNP Paribas	\$ 7,500,000	2.38095238%
The Bank of New York	\$ 7,500,000	2.38095238%
Sanwa Bank Limited	\$ 7,500,000	2.38095238%
TOTAL	\$ 315,000,000	100%

EXHIBIT A

CONFIRMATION BY GUARANTORS

To the Administrative Agent and the Lenders under and as defined in the Credit Agreement referred to below

Please refer to the Amended and Restated 364-Day Credit Agreement dated as of August 30, 2001 (the “Restated Credit Agreement”) among Pentair, Inc. (the “Company”), various financial institutions and Bank of America, N.A., as Administrative Agent. Capitalized terms used but not defined herein are used as defined in the Restated Credit Agreement.

Each of the undersigned hereby confirms to the Administrative Agent and the Lenders that, after giving effect to the effectiveness of the Restated Credit Agreement, the Subsidiary Guaranty (i) continues in full force and effect as a guaranty of all obligations of the Company under the Restated Credit Agreement and (ii) continues to be a legal, valid and binding obligation of such undersigned, enforceable against such undersigned in accordance with its terms, subject to bankruptcy, insolvency and similar laws affecting the enforceability of creditors’ rights generally and to general principles of equity.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, each of the undersigned has caused this Confirmation to be executed and delivered by its duly authorized representative as of August 30, 2001.

APLEX INDUSTRIES, INC.
 BIESEMEYER MANUFACTURING CORPORATION
 CENTURY MANUFACTURING CO.
 CODELINE CORPORATION
 COMPOOL, INC.
 DELTA INTERNATIONAL MACHINERY CORPORATION
 DEVILBISS AIR POWER COMPANY
 ELECTRONIC ENCLOSURES, INC.
 ENPAC CORPORATION
 ESSEF CORPORATION
 FALCON MANUFACTURING, INC.
 FLECK CONTROLS, INC.
 HOFFMAN ENCLOSURES INC.
 LINCOLN AUTOMOTIVE COMPANY
 LINCOLN INDUSTRIAL CORPORATION
 MCNEIL (OHIO) CORPORATION
 NATIONAL POOL TILE GROUP, INC.
 ORSCO, INC.
 PENTAIR ENCLOSURES, INC.
 PENTAIR ELECTRONIC PACKAGING COMPANY
 PENTAIR POOL PRODUCTS, INC.
 PENTAIR TOOL & EQUIPMENT SALES CO.
 PORTER-CABLE CORPORATION
 PUREX POOL SYSTEMS, INC.
 RAINBOW ACQUISITION CORP.

SANFORD TECHNOLOGIES
 SCHROFF, INC.
 STRUCTURAL AUSTRALIA
 WALKER DICKSON, INC.
 WEB TOOL & MANUFACTURING, INC.
 WTM, INC.

By: _____
 Name: Roy Rueb
 Title: Secretary and Treasurer

EXHIBIT H

FORM OF ASSIGNMENT AND ACCEPTANCE

This Assignment and Acceptance (this "Assignment") is dated as of the Effective Date set forth below and is entered into by and between [*Insert name of Assignor*] (the "Assignor") and [*Insert name of Assignee*] (the "Assignee"). Capitalized terms used but not defined herein shall have the respective meanings given to them in the Amended and Restated 364-Day Credit Agreement identified below (the "Credit Agreement"), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below, the interest in and to all of the Assignor's rights and obligations under the Credit Agreement and any other documents or instruments delivered pursuant thereto that represents the amount and percentage interest identified below of all of the Assignor's outstanding rights and obligations under the respective facilities identified below (the "Assigned Interest"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment, without representation or warranty by the Assignor.

1. Assignor: _____
2. Assignee: _____ [, an Affiliate of the Assignor] [, a Lender]
3. Borrower: Pentair, Inc.
4. Administrative Agent: Bank of America, N.A., as administrative agent under the Credit Agreement
5. Credit Agreement: The Amended and Restated 364-Day Credit Agreement, dated as of August 30, 2001, among Pentair, Inc., various financial institutions and Bank of America, N.A., as administrative agent
6. Payment of Administrative Agent's Fee: The [Assignor][Assignee] shall, prior to the Effective Date, pay to the Administrative Agent for its own account a processing fee in the amount specified in Section 11.06(b) of the Credit Agreement.
7. Assigned Interest:

Facility Assigned	Aggregate Amount of Commitment/Loans for all Lenders	Amount of Commitment/Loans Assigned	Percentage Assigned of Commitment/Loans ¹
2	\$	\$	%
	\$	\$	%
	\$	\$	%

Effective Date: _____, 20__ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

¹ Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.

² Fill in the appropriate terminology for the types of facilities under the Credit Agreement that are being assigned under this Assignment (e.g. "Commitment," "Committed Loan," "Bid Loan").

The terms set forth in this Assignment are hereby agreed to:

ASSIGNOR

[NAME OF ASSIGNOR]

By: _____
 Title: _____

ASSIGNEE

[NAME OF ASSIGNEE]

By: _____
Title: _____

[Consented to and Accepted:]³

³ To be added only if the consent of the Administrative Agent is required by the terms of the Credit Agreement.

[BANK OF AMERICA, N.A., as
Administrative Agent]

By: _____
Title: _____

[Consented to:]⁴

[PENTAIR, INC.]

By: _____
Title: _____

⁴ To be added only if the consent of the Company is required by the terms of the Credit Agreement.

ANNEX 1 TO ASSIGNMENT AND ACCEPTANCE

STANDARD TERMS AND CONDITIONS FOR ASSIGNMENT
AND ASSUMPTION AGREEMENT

1. Representations and Warranties.

1.1. Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with any Credit Document(as hereinafter defined), (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any other instrument or document delivered pursuant thereto, other than this Assignment (collectively the "Credit Documents"), or any collateral thereunder, (iii) the financial condition of the Company, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Credit Document or (iv) the performance or observance by the Company, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Credit Document.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it is a bank or other financial institution, (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 8.01 thereof, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and to purchase the Assigned Interest on the basis of which it has made such analysis and decision, (v) as of the date hereof, the Company will not be obligated to pay any greater amount to the Assignee under Article V of the Credit Agreement than the Company is obligated to pay to the Assignor under such Article and (vi) if it is organized under the laws of a jurisdiction outside the United States, attached hereto is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement (including, without limitation, Section 5.05(e) thereof), duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Credit Documents are required to be performed by it as a Lender.

2. Assignee's Address for Notices, etc. Attached hereto as Schedule 1 is all contact information, address, account and other administrative information relating to the Assignee.

3. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignee whether such amounts have accrued prior to, on or after the Effective Date. The Assignor and the Assignee shall make all appropriate adjustments in payments by the Administrative Agent for periods prior to the Effective Date or with respect to the making of this assignment directly between themselves.

4. General Provisions. This Assignment shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment. This

Assignment shall be governed by, and construed in accordance with, the substantive laws of the State of Illinois without regard to the choice of law provisions thereof.

**SCHEDULE 1 TO ASSIGNMENT AND ASSUMPTION AGREEMENT
ADMINISTRATIVE DETAILS**

(Assignee to list names of credit contacts, addresses, phone and facsimile numbers, electronic mail addresses and account and payment information)

EMPLOYMENT AGREEMENT

THIS AGREEMENT, made and entered into as of the 17th day of October, 2001 by and between Pentair, Inc., a Minnesota corporation (hereinafter referred to as the “Company”), and Richard J. Cathcart (hereinafter referred to as the “Executive”).

W I T N E S S E T H

WHEREAS, the Executive is employed by the Company and/or a subsidiary of the Company (hereinafter referred to collectively as the “Employer”) in a key executive capacity and the Executive’s services are valuable to the conduct of the business of the Company;

WHEREAS, the Company desires to continue to retain the services of the Executive, and the Executive desires to continue to be employed by the Company, on the terms and conditions set forth in this Agreement;

WHEREAS, the Executive possesses intimate knowledge of the business and affairs of the Company and has acquired certain confidential information and data with respect to the Company; and

WHEREAS, the Company desires to insure, insofar as possible, that it will continue to have the benefit of the Executive’s services and to protect its confidential information and goodwill.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements hereinafter set forth, the parties hereto mutually covenant and agree as follows:

1. Definitions.

(a) Accrued Benefits. The Executive’s “Accrued Benefits” shall include the following amounts, payable as described herein: (i) all base salary for the time period ending with the Termination Date; (ii) reimbursement for any and all monies advanced in connection with the Executive’s employment for reasonable and necessary expenses incurred by the Executive on behalf of the Employer for the time period ending with the Termination Date; (iii) any and all other cash earned through the Termination Date and deferred at the election of the Executive or pursuant to any deferred compensation plan then in effect; (iv) any bonus or incentive compensation that has been allocated or awarded to the Executive for a fiscal year or other measuring period under the plan that ends prior to the Termination Date but has not yet been paid; and (v) all other payments and benefits to which the Executive (or in the event of the Executive’s death, the Executive’s surviving spouse or other beneficiary) may be entitled on the Termination Date as compensatory fringe benefits or under the terms of any benefit plan of the Employer, excluding severance payments under any Employer severance policy, practice or agreement in effect on the Termination Date. Payment of Accrued Benefits shall be made promptly in accordance with the Company’s prevailing practice with respect to clauses (i) and (ii) or, with respect to clauses (iii), (iv) and (v), pursuant to the terms of the benefit plan or practice establishing such benefits.

(b) Annual Cash Compensation. The term “Annual Cash Compensation” shall mean the sum of twelve times the Executive’s highest monthly base salary for the twelve-month period immediately preceding the month in which the Notice of Termination is given (such salary amount is hereafter referred to as the “Annual Base Salary”).

(c) Business Segment. The term “Business Segment” shall mean Company’s Water Technologies Group, or any other segment(s) of the Company’s business operations for which Executive is responsible for the applicable period.

(d) Cause. “Cause” for termination by the Employer of the Executive’s employment shall be limited to (i) the engaging by the Executive in intentional conduct that the Company establishes has caused demonstrable and serious financial injury to the Employer; (ii) conviction of a felony; or (iii) continuing willful and unreasonable refusal by the Executive to perform the Executive’s duties or responsibilities (unless significantly changed without the Executive’s consent).

(e) Covered Termination. The term “Covered Termination” means any termination of the Executive’s employment during the Employment Period where the Termination Date or the date Notice of Termination is delivered is any date prior to the end of the Employment Period.

(f) Employment Period. The term “Employment Period” means a period commencing on the date hereof and ending at 11:59 p.m. Central Time on the Executive’s Normal Retirement Date.

(g) Normal Retirement Date. The term “Normal Retirement Date” means “Normal Retirement Date” as defined in the primary qualified defined benefit pension plan applicable to the Executive, or any successor plan, as in effect on the date hereof.

(h) Person. The term “Person” shall mean any individual, firm, partnership, corporation or other entity, including any successor (by merger or otherwise) of such entity, or a group of any of the foregoing acting in concert.

(i) Termination Date. Except as otherwise provided in Section 7(b), the term “Termination Date” means (i) if the Executive’s employment is terminated by the Executive’s death, the date of death; (ii) if the Executive’s employment is terminated by reason of voluntary early retirement, as agreed in writing by the Employer and the Executive, the date of such early retirement which is set forth in such written agreement; (iii) if the Executive’s employment is terminated for purposes of this Agreement by reason of disability pursuant to Section 9, the earlier of thirty days after the Notice of Termination is given or one day prior to the end of the Employment Period; (iv) if the Executive’s employment is terminated by the Executive voluntarily, the date the Notice of Termination is given; and (v) if the Executive’s employment is terminated by the Employer (other than by reason of disability pursuant to Section 9), the date the Notice of Termination is given.

2. Employment Period; Termination. The Employer will continue to employ the Executive during the Employment Period, and the Executive will remain in the employ of the Employer, in accordance with and subject to the terms and conditions of this Agreement. The Employer and the Executive shall each retain the right to terminate the employment of the Executive at any time during the Employment Period.

3. Duties. During the Employment Period, the Executive shall, in the same capacities and positions held by the Executive as of the date hereof or in such other capacities as may be agreed to by the Employer and the Executive, devote the Executive’s best efforts and all of the Executive’s business time, attention and skill to the business and affairs of the Employer, as such business and affairs now exist and as they may hereafter be conducted.

4. Termination For Cause or Voluntarily Termination. If there is a Covered Termination for Cause or due to the Executive's voluntarily terminating his employment (any such terminations to be subject to the procedures set forth in Section 10), then the Executive shall be entitled to receive only Accrued Benefits.

5. Termination Giving Rise to a Termination Payment. If there is a Covered Termination by the Company other than by reason of (i) death, (ii) disability pursuant to Section 9, or (iii) Cause (any such terminations to be subject to the procedures set forth in Section 10), then the Executive shall be entitled to receive, and the Company shall promptly pay, Accrued Benefits and, in lieu of further base salary for periods following the Termination Date, as liquidated damages and additional severance pay and in consideration of the covenant of the Executive set forth in Section 11(a), the Termination Payment pursuant to Section 6(a).

6. Payments Upon Termination.

(a) Termination Payment. Subject to the provisions of Section 6(d) below, the "Termination Payment" shall be an amount equal to the Annual Cash Compensation times (i) three (3) if the Executive has not attained the age of 61, (ii) two (2) if the Executive has attained the age of 61 but has not attained the age of 62 and (iii) one (1) if the Executive has attained the age of 62 but has not attained the age of 63; *provided, however*, that the Executive shall have no right to a Termination Payment if the Executive has attained the age of 63. The Termination Payment shall be paid to the Executive in cash thirty (30) business days after the Termination Date. Such lump sum payment shall not be reduced by any present value or similar factor, and the Executive shall not be required to mitigate the amount of the Termination Payment by securing other employment or otherwise, nor will such Termination Payment be reduced by reason of the Executive securing other employment or for any other reason. The Termination Payment shall be in lieu of, and acceptance by the Executive of the Termination Payment shall constitute the Executive's release of any rights of the Executive to, any other cash severance payments under any Company severance policy, practice or agreement.

(b) Additional Benefits. If there is a Covered Termination and the Executive is entitled to Accrued Benefits and the Termination Payment, then the Company shall provide to the Executive the following additional benefits:

(i) The Executive shall receive, at the expense of the Company, outplacement services, on an individualized basis at a level of service commensurate with the Executive's status with the Company immediately prior to the date the Notice of Termination is given, provided by a nationally recognized executive placement firm selected by the Company; *provided that* the cost to the Company of such services shall not exceed 10% of the Executive's Annual Base Salary.

(ii) Until the earlier of the end of the Employment Period or such time as the Executive has obtained new employment and is covered by benefits which in the aggregate are at least equal in value to the following benefits, the Executive shall continue to be covered, at the Employer's employee rate if during the period the Employer is required to provide medical benefits under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, and at the Employer's retiree medical rate thereafter, by the same or equivalent medical coverage as was provided under the medical plan in which the Executive was participating at any time during the 180-day period immediately prior to the date the Notice of Termination is given.

(iii) The Company shall cause the Executive to be fully and immediately vested in his accrued benefit under the Pentair, Inc. 1999 Supplemental Executive Retirement Plan ("SERP") and the Pentair, Inc. Restoration Plan ("Restoration Plan") or any successor plans thereto (the "Plans") (to the extent the Executive participates in the Plans) and in any defined contribution retirement plan of the Employer. In addition, the additional benefit described in Appendix A to the SERP provided for the Executive shall be fully vested and the amount of such additional benefit shall be no less than if the Executive had continued in qualified employment through the end of the calendar year in which he would attain age sixty-two.

(c) Vesting and Payment of Certain Benefits. If there is a Covered Termination and the Executive is entitled to Accrued Benefits and the Termination Payment, then

(i) the Company shall cause all restrictions on restricted stock awards made to the Executive immediately prior to the date the Notice of Termination is given to lapse such that the Executive is fully and immediately vested in the Executive's restricted stock upon the Termination Date;

(ii) the Company shall cause all stock options granted to the Executive immediately prior to the date the Notice of Termination is given pursuant to the Company's stock option plan(s) to be fully and immediately vested upon the Termination Date and the exercise date thereof shall be extended for a period of the lesser of (x) three (3) years from the Termination Date or (y) their scheduled expiration date;

(iii) the Company shall cause all incentive compensation units and performance awards granted to the Executive pursuant to any long-term incentive plan maintained by the Company to be paid to the Executive within ten (10) business days after the Termination Date (A) at one-third (1/3) of target, if the award cycle has been in effect less than twelve (12) months, (B) at two thirds (2/3) of the then current value pursuant to such plan, if the award cycle has been in effect twelve (12) or more months but less than twenty-four (24) months, and (C) at the then current value pursuant to such plan, if the award cycle has been in effect twenty-four (24) or more months, in each case as if all performance or incentive requirements and periods had been satisfied; and

the Company shall pay to the Executive within thirty (30) business days after the Termination Date an amount under the Company's annual incentive plan consistent with the Company's then current policy for senior executives.

(d) Business Performance Factor. If there is a Covered Termination and the Executive is entitled to the Termination Payment, the amount of the Termination Payment provided for in Section 6(a) above shall be adjusted as follows:

(i) If the average performance factor for the Business Segment for the three fiscal years preceding the year in which Termination occurs equals or exceeds 1.0, no adjustment shall be made;

(ii) If the average performance factor for the Business Segment for the three fiscal years preceding the year in which Termination occurs is less than 1.0 but at least equal to 0.8, the Termination Payment shall be reduced by 50%;

(iii) If the average performance factor for the Business Segment for the three fiscal years preceding the year in which Termination occurs is less than 0.8, the Termination Payment shall be reduced by 75%; provided, however, that the minimum Termination

Payment for Executive under Section 6(a) shall not be less than Annual Cash Compensation times one (1), so long as Executive shall not have attained age 61 at the time of delivery of any Notice of Termination.

For the purposes of this Section 6(d), the performance factor for the Business Segment shall be determined in accordance with the terms and provisions of the Company's Management Incentive Plan, as it may be amended or modified from time to time by the Company, or any successor cash incentive compensation plan adopted by the Company.

7. Death.

(a) Except as provided in Section 7(b), in the event of a Covered Termination due to the Executive's death, the Executive's estate, heirs and beneficiaries shall receive all the Executive's Accrued Benefits through the Termination Date.

(b) In the event the Executive dies after a Notice of Termination is given by the Company, the Executive's estate, heirs and beneficiaries shall be entitled to the benefits described in Section 7(a) and, subject to the provisions of this Agreement, to such Termination Payment as the Executive would have been entitled to had the Executive lived. For purposes of this Section 7(b), the Termination Date shall be the earlier of thirty days following the giving of the Notice of Termination, subject to extension pursuant to Section 1(h), or one day prior to the end of the Employment Period.

8. Retirement. If, during the Employment Period, the Executive and the Employer shall execute an agreement providing for the early retirement of the Executive from the Employer, or the Executive shall otherwise give notice that he is voluntarily choosing to retire early from the Employer, the Executive shall receive Accrued Benefits through the Termination Date.

9. Termination for Disability. If, during the Employment Period, as a result of the Executive's disability due to physical or mental illness or injury (regardless of whether such illness or injury is job-related), the Executive shall have been absent from the Executive's duties hereunder on a full-time basis for a period of six consecutive months and, within thirty days after the Company notifies the Executive in writing that it intends to terminate the Executive's employment (which notice shall not constitute the Notice of Termination contemplated below), the Executive shall not have returned to the performance of the Executive's duties hereunder on a full-time basis, the Company may terminate the Executive's employment for purposes of this Agreement pursuant to a Notice of Termination given in accordance with Section 10. If the Executive's employment is terminated on account of the Executive's disability in accordance with this Section, the Executive shall receive Accrued Benefits through the Termination Date and shall remain eligible for all benefits provided by any long term disability programs of the Company in effect at the time of such termination.

10. Termination Notice and Procedure. Any Covered Termination by the Company or the Executive shall be communicated by a written notice of termination ("Notice of Termination") to the Executive, if such Notice is given by the Company, and to the Company, if such Notice is given by the Executive, all in accordance with the following procedures and those set forth in Section 18:

(a) If such termination is for disability or Cause, the Notice of Termination shall indicate in reasonable detail the facts and circumstances alleged to provide a basis for such termination.

(b) Any Notice of Termination by the Company shall have been approved, prior to the giving thereof to the Executive, by a resolution duly adopted by a majority of the directors of the Company (or any successor corporation) then in office.

(c) If the Notice is given by the Company, then the Executive may cease performing his duties hereunder on the date of receipt of the Notice of Termination, subject to the Executive's rights hereunder.

(d) The Executive shall have thirty days, or such longer period as the Company may determine to be appropriate, to cure any conduct or act, if curable, alleged to provide grounds for termination of the Executive's employment for Cause under this Agreement pursuant to Section 1(c) (iii).

(e) The recipient of any Notice of Termination shall personally deliver or mail in accordance with Section 18 written notice of any dispute relating to such Notice of Termination to the party giving such Notice within fifteen days after receipt thereof; *provided, however*, that if the Executive's conduct or act alleged to provide grounds for termination by the Company for Cause is curable, then such period shall be thirty days. After the expiration of such period, the contents of the Notice of Termination shall become final and not subject to dispute.

11. Further Obligations of the Executive.

(a) Competition. The Executive agrees that, in the event of any Covered Termination where the Executive is entitled to Accrued Benefits and the Termination Payment, the Executive shall not, for a period expiring one year after the Termination Date, without the prior written approval of the Company's Board of Directors, (i) solicit for employment an employee of the Company or its subsidiaries or (ii) participate in the management of, be employed by or own any business enterprise at a location within the United States that engages in substantial competition with the Company or its subsidiaries, where such enterprise's revenues from any competitive activities amount to 10% or more of such enterprise's net revenues and sales for its most recently completed fiscal year; *provided, however*, that nothing in this Section 12(a) shall prohibit the Executive from owning stock or other securities of a competitor amounting to less than five percent of the outstanding capital stock of such competitor.

(b) Confidentiality. During and following the Executive's employment by the Company, the Executive shall hold in confidence and not directly or indirectly disclose or use or copy or make lists of any confidential information or proprietary data of the Company (including that of the Employer), except to the extent authorized in writing by the Board of Directors of the Company or required by any court or administrative agency, other than to an employee of the Company or a person to whom disclosure is reasonably necessary or appropriate in connection with the performance by the Executive of duties as an executive of the Company. Confidential information shall not include any information known generally to the public or any information of a type not otherwise considered confidential by persons engaged in the same business or a business similar to that of the Company. All records, files, documents and materials, or copies thereof, relating to the business of the Company which the Executive shall prepare, or use, or come into contact with, shall be and remain the sole property of the Company and shall be promptly returned to the Company upon termination of employment with the Company.

12. Successors.

(a) If the Company sells, assigns or transfers all or substantially all of its business and assets or the business and assets of its Water Technologies Group to any Person or if the Company merges into or consolidates or otherwise combines (where the Company does not survive such combination) with any Person (any such event, a "Sale of Business"), then the Company shall assign all of its right, title and interest in this Agreement as of the date of such event to such Person, and the Company shall cause such Person, by written agreement in form and substance reasonably satisfactory to the Executive, to expressly assume and agree to perform from and after the date of such assignment all of the terms, conditions and provisions imposed by this

Agreement upon the Company. In case of such assignment by the Company and of assumption and agreement by such Person, as used in this Agreement, "Company" shall thereafter mean such Person which executes and delivers the assumption agreement provided for in this Section 12 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law, and this Agreement shall inure to the benefit of, and be enforceable by, such Person. The Executive shall, in his discretion, be entitled to proceed against any or all of such Persons, any Person which theretofore was such a successor to the Company and the Company (as so defined) in any action to enforce any rights of the Executive hereunder. Except as provided in this Section 12(a), this Agreement shall not be assignable by the Company. This Agreement shall not be terminated by the voluntary or involuntary dissolution of the Company.

(b) This Agreement and all rights of the Executive shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, heirs and beneficiaries. All amounts payable to the Executive under Sections 4, 5, 6, 7, 8 and 9 if the Executive had lived shall be paid, in the event of the Executive's death, to the Executive's estate, heirs and representatives; *provided, however*, that the foregoing shall not be construed to modify any terms of any benefit plan of the Employer, as such terms are in effect immediately prior to the date the Notice of Termination is given, that expressly govern benefits under such plan in the event of the Executive's death.

13. Severability. The provisions of this Agreement shall be regarded as divisible, and if any of said provisions or any part hereof are declared invalid or unenforceable by a court of competent jurisdiction, the validity and enforceability of the remainder of such provisions or parts hereof and the applicability thereof shall not be affected thereby.

14. Contents of Agreement; Amendment. This Agreement sets forth the entire understanding between the parties hereto with respect to the subject matter hereof, except for the Key Executive Employment and Severance Agreement (the "KEESA") between the Executive and the Company. Anything in this Agreement to the contrary notwithstanding, in the event of a Change in Control of the Company (as defined in the KEESA) at a time that the KEESA is in effect, then the rights and obligations of the Company and the Executive in respect of the Executive's employment shall be determined in accordance with the KEESA rather than under this Agreement. Nothing contained in this Agreement shall be deemed to supersede any of the obligations, agreements, provisions or covenants of the Company or the Executive contained in the KEESA. This Agreement may not be amended or modified at any time except by written instrument executed by the Company and the Executive.

15. Withholding. The Company shall be entitled to withhold from amounts to be paid to the Executive hereunder any federal, state or local withholding or other taxes or charges which it is from time to time required to withhold; *provided, that* the amount so withheld shall not exceed the minimum amount required to be withheld by law.

16. Certain Rules of Construction. No party shall be considered as being responsible for the drafting of this Agreement for the purpose of applying any rule construing ambiguities against the drafter or otherwise. No draft of this Agreement shall be taken into account in construing this Agreement. Any provision of this Agreement which requires an agreement in writing shall be deemed to require that the writing in question be signed by the Executive and an authorized representative of the Company.

17. Governing Law; Resolution of Disputes. This Agreement and the rights and obligations hereunder shall be governed by and construed in accordance with the laws of the State of Minnesota. Any dispute arising out of this Agreement shall, at the Executive's election, be determined by arbitration under the rules of the American Arbitration Association then in effect (in which case both parties shall be bound by the arbitration award) or by litigation. Whether the dispute is to be settled by arbitration or litigation, the venue for the arbitration or litigation shall be Minneapolis, Minnesota or, at the Executive's election, if the Executive is not then residing or working in the Minneapolis, Minnesota metropolitan area, in the judicial district encompassing the city in which the Executive resides; *provided, that*, if the Executive is not then residing in the United States, the venue shall be Minneapolis, Minnesota. The parties consent to personal jurisdiction in each trial court in the selected venue having subject matter jurisdiction notwithstanding their residence or situs, and each party irrevocably consents to service of process in the manner provided hereunder for the giving of notices.

18. Notice. Notices given pursuant to this Agreement shall be in writing and, except as otherwise provided by Section 10(d), shall be deemed given when actually received by the Executive or actually received by the Company's Secretary or any officer of the Company other than the Executive. If mailed, such notices shall be mailed by United States registered or certified mail, return receipt requested, addressee only, postage prepaid, if to the Company, to Pentair, Inc., Attention: Secretary (or President, if the Executive is then Secretary), 1500 County Road B2 West, Suite 400, Saint Paul, Minnesota, 55113, or if to the Executive, at the address set forth below the Executive's signature to this Agreement, or to such other address as the party to be notified shall have theretofore given to the other party in writing.

19. No Waiver. No waiver by either party at any time of any breach by the other party of, or compliance with, any condition or provision of this Agreement to be performed by the other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same time or any prior or subsequent time.

20. Headings. The headings herein contained are for reference only and shall not affect the meaning or interpretation of any provision of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

PENTAIR, INC.

By: _____
Its: _____

Attest: _____
Its: _____

EXECUTIVE:

(SEAL)

Address:

RETIREMENT AGREEMENT AND RELEASE

THIS RETIREMENT AGREEMENT AND RELEASE ("Agreement") is made and entered into by and between Joseph R. Collins ("Collins") and Pentair, Inc. ("Pentair").

1. **Consideration.** In consideration for the mutual promises and the payments to Collins set forth herein, Collins acknowledges the full, complete, and final settlement of any and all claims, actions, causes of action or costs, including attorneys' fees, against Pentair and the members of the controlled group of companies which includes Pentair (collectively, the "Group").
2. **Separation from Service.** Collins has retired as an employee and officer of Pentair and each other Group member, as listed on Schedule A, effective January 15, 2001 (the "Separation Date"). Effective April 25, 2001, Collins shall retire as a member of the Board of Directors of Pentair and each other Group member, also as listed on Schedule A. Effective as of the Separation Date, Collins shall cease to be a committee member or to serve in any capacity with respect to each Pentair benefit plan listed on Schedule B.
3. **Transition Payments.** Beginning January 16, 2001 and ending August 31, 2001, Pentair shall pay to Collins \$18,750 on each regularly scheduled payroll date which falls during such period. These payments shall be made in accordance with the usual payroll practices of Pentair and shall be reduced by all applicable state and federal withholding taxes and any other deductions which have been authorized by Collins or which Pentair may be required by law to make. Collins understands and agrees that these payments are more than Pentair is required to make under its normal policies and practices, are in lieu of compensation and fees for services through April 25, 2001 as a director of Pentair or any other Group member, and are in excess of the amount that would be otherwise due to him as compensation for such transition services as he has provided or may be asked to provide through August 31, 2001.
4. **Stock and Equity Awards.** Outstanding awards made to Collins under the Pentair Omnibus Stock Incentive Plan (the "Omnibus Plan") and other equity awards shall be paid as described below. Collins understands and agrees that the payment of these awards as described herein is discretionary and not required under the normal policies and procedures of Pentair, and that he would not be entitled to these benefits without this Agreement.

a. **Restricted Stock.** All shares of restricted stock awarded to Collins through January 15, 2001 under the Ownership Incentive Plan, together with any shares of restricted stock awarded to Collins under the Omnibus Plan or any other bonus program shall, to the extent not currently vested, be vested as of such date in April, 2001 as the Incentive Compensation Units discussed in paragraph 4(b) are paid.

b. **Incentive Compensation Units ("ICUs").** All ICUs awarded to Collins as of the Separation Date under the Omnibus Plan shall be deemed to be fully earned as of the Separation Date without regard to the relevant period stated at the time of grant. The value of said awards shall be calculated and paid to Collins in April, 2001.

c. **Stock Options.** All outstanding stock options granted to Collins under the Omnibus Plan shall remain outstanding and exercisable by him through the earlier of their original maturity date and five (5) years from the Separation Date; provided, however, the date any such option, or part thereof, is first exercisable shall not be accelerated. To the extent options designated as incentive stock options are exercised within thirty (30) days of the Separation Date, they shall retain their status as such; options exercised after this thirty (30) day period shall be treated as nonqualified options.

In the event Collins shall sell any Pentair common stock acquired pursuant to the exercise of an incentive stock option in a disqualifying disposition, Collins shall immediately notify Pentair of such disqualifying disposition and supply all information with respect to such sale as is reasonably requested by Pentair. This notification obligation shall apply regardless of whether such options were exercised before or after the Separation Date.

In the event Collins should die before all such options have been exercised or otherwise lapse, the beneficiary designated by Collins shall have six (6) months from the date of Collins's death to exercise any options then outstanding. Any options not so exercised shall lapse at the end of said six (6) month period.

d. **Continuing Securities Obligations.** At the direction of Pentair, Henson & Efron, P.A. will inform Collins in writing of its understanding of his continuing obligations under applicable securities laws for purposes of any transactions in Pentair common stock.

5. **Retirement Benefits.** Collins shall receive payment from the tax-qualified and non qualified retirement plans maintained by Pentair as follows:

a. **Pentair Pension Plan.** The accrued benefit payable to Collins under the Pentair Pension Plan shall be determined as of the Separation Date and Collins shall be entitled to receive payment of such vested accrued benefit in accordance with applicable provisions of that plan.

b. **Supplemental Retirement Payment.** As a supplemental retirement benefit, Collins shall be paid \$27,087.12 monthly beginning on September 1, 2001, said benefit to be paid in the form of a Life Only option. Optional forms of payment will be made available including Joint & Survivor options. This benefit is calculated by applying the provisions of the 1988 Supplemental Executive Retirement Plan (the "SERP") which the Compensation Committee of the Board has determined, in the exercise of the discretion granted it under said plan, shall be extended to Collins even though he had not attained his Vesting and Accrual Date under the SERP as of the Separation Date. For purposes of determining this SERP benefit, Collins shall be deemed to have (i) reached his Vesting and Accrual Date, as that term is defined in the SERP, (ii) elected an early retirement benefit calculated as if he had attained age sixty-two (62) as of September 1, 2001, and (iii) for purposes of calculating his final average compensation, received a MIP bonus payable in 2001 of \$345,000, which is the average MIP bonus paid to Collins over the prior three (3) years, regardless of the amount which may be paid to Collins under the MIP in 2001.

Collins understands and agrees that, absent the exercise of discretion of the Compensation Committee of the Board and the execution of this Agreement, he would not otherwise be entitled to payment of this supplemental retirement benefit, and that Pentair is not required to pay this benefit to Collins under its normal policies and procedures.

c. **Retirement Savings and Stock Incentive Plan ("RSIP").** Collins shall be entitled to receive payment of his vested accrued benefit under RSIP in accordance with applicable provisions of that plan. Collins shall remain a participant in RSIP until such time as he requests and receives payment of his vested accrued benefit. From and after the Separation Date, Collins shall not be entitled to make contributions to

RSIP, but shall be entitled to share in allocations of contributions made by Pentair after such date, including matching or employer discretionary contributions payable on account of service completed, deferrals made or salary paid to Collins through the Separation Date, to the extent required by the provisions of RSIP. For this purpose, no transition payments made to Collins under paragraph 3 of this Agreement shall be included as covered compensation.

d. Non-Qualified Deferred Compensation Plan ("Sidekick"). Collins shall be entitled to receive payment of all amounts payable to him under the terms and conditions of Sidekick in accordance with the payment election made by him at the time he began participation in such plan. From and after the Separation Date, Collins shall not be entitled to make contributions to Sidekick, but shall be entitled to share in allocations of contributions made by Pentair after such date, including matching or employer discretionary contributions payable on account of service completed, deferrals or salary paid to Collins through the Separation Date, to the extent required by the provisions of said plan. For this purpose, no transition payments made to Collins under paragraph 3 of this Agreement shall be included as covered compensation.

6. Insurance Benefits. Collins shall be eligible to elect to continue participation in various medical, dental, life and disability insurance benefits offered by Pentair as follows:

a. Medical, Dental and Life Insurance. Collins may elect to continue participation in such group medical, dental and life insurance programs as are made available to employees of Pentair consistent with his rights to continuation coverage under applicable state and federal law. Said continuation period shall begin on February 1, 2001 and shall end on the earlier of the date Collins is eligible for such coverage with a subsequent employer or the expiration of eighteen (18) months (i.e., July 31, 2002). At such time as the continuation period ends, Collins shall be offered such conversion rights as are made available by the then insurer. During the continuation period, Collins and Pentair shall share the cost of such benefits on the same basis as if Collins remained an active employee of Pentair. Collins understands and agrees that the sharing of premium payments with Pentair is a benefit to which he would not be entitled without this Agreement.

b. Supplemental Disability and Supplemental Life Insurance. Collins shall be covered through the Separation Date under the Pentair short-term disability and the voluntary supplemental long-term disability (the "Pentair Income Protection Plan" or "PIPP") and supplemental life insurance plans as are made available to Pentair employees. After the Separation Date, Collins shall be offered the opportunity to retain coverage under PIPP and to retain his supplemental life insurance policies at his sole cost and expense.

c. Flexible Benefit Plan. Collins shall be offered the opportunity to continue participation in the Pentair Flexible Benefit Plan consistent with the terms and provisions of said plan.

d. Retiree Flex Plan. Collins may elect, on or prior to August 31, 2001, to begin participation in the Retiree Flex Plan consistent with the terms and provisions of said plan. Said election shall be effective as of the end of the continuation period described in the preceding paragraph (a), unless Collins shall elect to earlier waive his continuation rights and immediately begin to receive benefits under the Retiree Flex Plan in lieu of said continuation coverage.

7. Other Benefits or Payments. Collins shall be entitled to receive other payments and benefits as described below. Collins understands and agrees that without this Agreement, he would not be entitled to such benefits.

a. Flexible Perquisite Account. For the period beginning January 15, 2001 and ending August 31, 2001, Pentair shall pay to Collins under its Flexible Perquisite Plan an amount not to exceed \$13,334.00, less any vehicle lease payments made by Pentair during 2001. No such payments shall be made to Collins, however, unless and until he submits proper documentation of expenses eligible for payment under said plan. Any amounts not paid to Collins pursuant to this paragraph as of August 31, 2001 shall be retained by Pentair.

b. Business Expenses. Pentair will reimburse Collins for all reasonable business expenses incurred by him, if any, in the active performance of work on behalf of and expressly requested by Pentair through August 31, 2001, provided Collins submits proper documentation for such expenses.

8. Confidential Information Acquired During Employment. Collins agrees that he will continue to treat, as private and privileged, any information, data, figures, projections, estimates, marketing plans, customer lists, lists of contract workers, tax records, personnel records, accounting procedures, formulas, contracts, business partners, alliances, ventures and all other confidential information which Collins acquired or created as an employee of the Group. Further, Collins agrees that he will not release any such information to any person, firm, corporation or other entity at any time, except as may be required by law, or as specifically agreed to in writing by Pentair prior to any such disclosure. Collins acknowledges that any violation of this non-disclosure provision shall entitle Pentair to appropriate injunctive relief and to any damages which it may sustain due to the improper disclosure.

9. Non-Solicitation/Non-Competition Agreement. Collins acknowledges that during his employment with the Group, he became familiar with trade secrets, know-how, executive personnel, business strategies, product development and other confidential and proprietary information concerning the businesses of the Group. In consideration for the compensation and benefits paid to Collins under this Agreement, Collins agrees that he shall not at any time, either directly or indirectly, and without the prior written consent of Pentair:

a. own, manage, control, participate in, consult with or render services of any kind for any concern which engages in a business which is competitive with any business being conducted, or contemplated being conducted, by Pentair or any other Group member as of the Separation Date;

b. become an employee or agent of any publicly traded corporation or other entity, or any division or subsidiary of such a corporation or entity, where more than five percent (5%) of such organization's business is in competition with any business being conducted, or contemplated being conducted, by Pentair or any other Group member as of the Separation Date;

c. participate in any plan or attempt to acquire the business, assets or control of the voting stock of Pentair or any other Group member, or in any manner interfere with the control of Pentair or any other Group member, whether by friendly or unfriendly means;

d. induce or attempt to induce any individual to leave the employ of Pentair or any other Group member or hire any such individual who approaches him for employment; or

e. engage in or sponsor the solicitation of customers of Pentair or any other Group member to do business with any competitor of Pentair or any other Group member.

In the event Collins breaches or threatens to breach any obligation under this paragraph 9, Pentair may apply to any court of competent jurisdiction for specific performance and/or injunctive relief or other relief to enforce the obligations of Collins under this paragraph 9 or to prevent any violations of said paragraph. Pentair may also pursue any other remedies available to it on account of a breach or threatened breach of this paragraph 9, including the costs and reasonable attorneys' fees incurred by it in enforcing its rights under this paragraph 9. In addition to the other remedies herein provided, Collins and any person claiming benefits hereunder through Collins shall forfeit any right to future payments under paragraphs 3 and 5(b) of this Agreement.

10. Discharge of Claims. Collins, on behalf of himself, his agents, representatives, attorneys, assignees, heirs, executors and administrators, hereby releases and forever discharges Pentair and all other Group members, and the past and present employees, agents, insurers, officials, officers, directors, divisions, parents, subsidiaries and successors of any of them from any and all claims and causes of action of any type arising, or which may have arisen, out of or in connection with his employment or termination of employment with Pentair and the other members of the Group, including, but not limited to claims, demands or actions arising under the Federal Fair Labor Standards Act, the Age Discrimination in Employment Act of 1967, 29 U.S.C. § 626, as amended by Public Law 101.433 (1990) (the "Older Workers Benefit Protection Act"), Title VII of the Civil Rights Act of 1964, 42 U.S.C. § 2000e, et seq., the Americans with Disabilities Act, 29 U.S.C. § 2101, et seq., the Family Medical Leave Act, the Minnesota Human Rights Act, Minn. Stat. § 363.01, et seq., any other federal, state or local statute, ordinance, regulation or order regarding employment, compensation for employment, termination of employment, or discrimination in employment, and the common law of any state.

Collins further understands that this discharge of claims extends to, but is not limited to, all claims which he may have as of the date of this Agreement against Pentair or any other Group member, based upon statutory or common law claims for defamation, libel, slander, assault, battery, negligent or intentional infliction of emotional distress, negligent hiring or retention, breach of contract, promissory estoppel, fraud, wrongful discharge, or any other theory, whether legal or equitable, including all claims for items of compensation and benefits except as prohibited by law.

Collins represents that no claim or cause of action covered by this Agreement has been assigned or otherwise transferred or given to anyone.

11. Cooperation. Collins agrees that until August 31, 2001, he will be available by telephone to respond to such reasonable requests for information as Pentair may make. In addition, Collins further agrees that at the request of Pentair, he will, at any time, cooperate with and assist Pentair (including cooperation and assistance in any matters involving claims or lawsuits against Pentair or any other Group member) where Collins has or may have knowledge of the facts involved. Collins also agrees that he will, at the reasonable request of Pentair, execute, if necessary, any further documents or instruments necessary or appropriate to evidence his separation from service as an officer or director of Pentair or any Group member, including but not necessarily limited to any forms as may be attached hereto as Schedule C. Collins further agrees that he will not voluntarily aid, assist, or cooperate with anyone who has claims against Pentair or any other Group member, or with their attorneys or agents in any claims or lawsuits which such person may bring against Pentair or any other Group member. Nothing in this Agreement prevents Collins from testifying at an administrative hearing, arbitration, deposition, or in court, in response to a lawful and properly served subpoena.

12. Future Employment. Collins will not apply for or seek employment or re-employment with Pentair or any other Group member at any time after he signs this Agreement.

13. Merger. This Agreement supersedes and replaces all prior oral and written agreements and understandings between Collins and Pentair or any other Group member, including, but not limited to, any Key Executive Employment and Separation Agreement which Collins may have executed. Collins understands and agrees that all claims which he has or may have against Pentair or any other Group member are fully released and discharged by this Agreement. Except to the extent otherwise required by law, the only claims which Collins may hereafter assert against Pentair or any other Group member are limited to an alleged breach of this Agreement.

14. Minnesota Law Applies. This Agreement will be governed by the substantive laws of the State of Minnesota, without regard to any choice of laws provisions thereof, and it shall be construed and enforced thereunder. All disputes arising out of or relating to this Agreement shall be subject to the jurisdiction of the state court sitting in the County of Hennepin, State of Minnesota, and both parties hereby irrevocably submit to the jurisdiction of such court.

15. Invalidity. If any one or more of the terms of this Agreement are deemed to be invalid or unenforceable by a court of law, the validity, enforceability, and legality of the remaining provisions of this Agreement will not in any way be affected or impaired thereby.

16. Amendment. This Agreement may be modified only by a subsequent written agreement signed by the parties hereto.

17. Collins Understands the Terms of this Agreement. Collins warrants that (a) other than as stated herein, no promise or inducement has been offered for this Agreement; (b) this Agreement is executed without reliance upon any statement or representation of Pentair or its representatives concerning the nature and extent of any claims or liability therefor, if any; (c) Collins is legally competent to execute this Agreement and accepts full responsibility therefor; (d) Pentair, by this Agreement, has advised Collins to consult with an attorney regarding the purpose and effect of this Agreement; (e) Pentair has allowed Collins at least twenty-one (21) days beginning on _____, 2001 within which to consider this Agreement, and at the expiration of this period this Agreement shall be automatically withdrawn without further notice to Collins or his attorney; and (f) Collins may choose to sign this Agreement at any time prior to the end of this twenty-one (21) day consideration period.

Collins understands that he may nullify and rescind this Agreement as far as it extends to his release of claims arising under Minn. Stat. § 363.01 et seq., the Minnesota Human Rights Act, and under the Age Discrimination in Employment Act of 1967, 29 U.S.C. § 626, as amended by Public Law 101.433 (1990) (the "Older Workers Benefit Protection Act") at any time within fifteen (15) days from the date of his signature below and, in the event of such election, Collins shall only be entitled to receive \$1,000 which the parties acknowledge is consideration for Collins' release of all claims other than those arising under Minn. Stat. § 363.01 et seq., the Minnesota Human Rights Act, and under the Age Discrimination in Employment Act of 1967, 29 U.S.C. § 626, as amended by Public Law 101.433 (1990) (the "Older Workers Benefit Protection Act"). In the event Collins elects to nullify and rescind portions of his release under this Agreement pursuant to this paragraph, he must indicate his desire to do so in writing and deliver that writing to Deb S. Knutson, Vice President, Human Resources, Pentair, Inc., Waters Edge Plaza, 1500 County Road B2 West, St. Paul, MN 55113-3105, by hand or by certified mail. Collins further understands that if he exercises his rescission rights hereunder, Pentair will not be bound by the terms of this Agreement (except the obligation to pay Collins \$1,000), and Collins will have to disgorge and repay to Pentair in full any monies and benefits received pursuant to this Agreement other than such \$1,000 sum.

Dated: _____
Joseph Collins

Subscribed and sworn to before me

this 6th day of August, 2001.

Notary Public

Dated: _____

PENTAIR, INC.

By _____
Its _____

Subscribed and sworn to before me
this ____ day of _____, 2001.

Notary Public

SCHEDULE A

**Positions Held by Joseph Collins
at Pentair**

Company	Title
Pentair, Inc.	Vice Chairman of the Board, Director
Pentair, Inc.	Employee

SCHEDULE B

**Other Positions Held by Joseph Collins
at Pentair and Subsidiaries**

Committee/Plan	Title
Pentair, Inc. Investment Committee for all Bargaining and non-Bargaining Pension s Plans	Member
Pentair, Inc. Retirement Savings and Stock Incentive Plan Committee	Member
The Pentair Foundation	President
Pentair, Inc. Board Finance / Investment Policy Committee	Member
Pentair, Inc. Board Public Policy Committee	Member