

AMETEK INC/  
Form DEF 14A  
March 12, 2007

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

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

**AMETEK, Inc.**

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(Name of Registrant as Specified in Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

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

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(1) Amount Previously Paid:

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(2) Form Schedule or Registration Statement No.:

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(4) Date Filed:

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**Notice of 2007  
Annual Meeting  
Proxy Statement  
Annual Financial Information  
and Review of Operations**

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Tuesday, April 24, 2007  
2:00 p.m. Eastern Daylight Time  
J. P. Morgan Chase & Co.  
1 Chase Manhattan Plaza  
28th Floor  
New York, NY 10005

*Dear Fellow Stockholder:*

On behalf of the Board of Directors, it is my pleasure to invite you to attend the 2007 Annual Meeting of Stockholders of AMETEK, Inc. At the Annual Meeting, you will be asked to:

1. Elect two Directors for a term of three years;
2. Approve a proposed amendment to the Certificate of Incorporation increasing authorized shares of Common Stock from 200,000,000 to 400,000,000;
3. Approve the AMETEK, Inc. 2007 Omnibus Incentive Compensation Plan;
4. Ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2007; and
5. Transact any other business properly brought before the Annual Meeting.

Only stockholders of record at the close of business on March 9, 2007 will be entitled to vote at the Annual Meeting. Your vote is important. You can vote in one of four ways: (1) by computer using the Internet, (2) by telephone using a toll-free number, (3) by marking, signing and dating your proxy card, and returning it promptly in the enclosed envelope, or (4) by casting your vote in person at the Annual Meeting. Directions to J. P. Morgan Chase & Co. are located on the back cover of the Proxy Statement. Please refer to your proxy card for specific proxy voting instructions.

We have included the annual financial information relating to our business and operations in Appendix B to the Proxy Statement. We also have enclosed a Summary Annual Report.

We hope that you take advantage of the convenience and cost savings of voting by computer or by telephone. A sizable electronic turnout would significantly reduce return-postage fees.

We urge you to vote your shares either by computer, telephone or mailing your proxy as soon as possible, or in person at the Annual Meeting. We appreciate your interest in AMETEK.

Sincerely,

/s/ Frank S. Hermance

Frank S. Hermance

*Chairman of the Board*

*and Chief Executive Officer*

Paoli, Pennsylvania

Dated: March 16, 2007

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*Principal executive offices*

37 North Valley Road Building 4

P.O. Box 1764

Paoli, Pennsylvania 19301-0801

**PROXY STATEMENT**

We are mailing this Proxy Statement and proxy card to its stockholders of record as of March 9, 2007 on or about March 16, 2007. The Board of Directors is soliciting proxies in connection with the election of Directors and other actions to be taken at the Annual Meeting of Stockholders and at any adjournment or postponement of that Meeting. The Board of Directors encourages you to read the Proxy Statement and to vote on the matters to be considered at the Annual Meeting.

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## VOTING PROCEDURES

**Your vote is very important.** It is important that your views be represented whether or not you attend the Annual Meeting.

**Who can vote?** Stockholders of record as of the close of business on March 9, 2007 are entitled to vote. On that date, 106,240,916 shares of our Common Stock were issued and outstanding and eligible to vote. Each share is entitled to one vote on each matter presented at the Annual Meeting.

**How do I vote?** You can vote your shares at the Annual Meeting if you are present in person or represented by proxy. You can designate the individuals named on the enclosed proxy card as your proxies by mailing a properly executed proxy card or by the Internet or telephone. You may revoke your proxy at any time before the Annual Meeting by delivering written notice to the Corporate Secretary, by submitting a proxy card bearing a later date or by appearing in person and casting a ballot at the Annual Meeting.

To submit your proxy by mail, indicate your voting choices, sign and date your proxy card and return it in the postage-paid envelope provided. You may vote by the Internet or telephone by following the instructions on your proxy card. Your Internet or telephone vote authorizes the persons named on the proxy card to vote your shares in the same manner as if you marked, signed and returned the proxy card to us.

If you hold your shares through a broker, bank or other nominee, that institution will send to you separate instructions describing the procedure for voting your shares.

**What shares are represented by the proxy card?** The proxy card represents all the shares registered in your name. If you participate in the AMETEK, Inc. Investors Choice Dividend Reinvestment & Direct Stock Purchase and Sale Plan, the card also represents any full shares held in your account. If you are an employee who participates in an AMETEK employee savings plan and you also hold shares in your own name, you will receive a single proxy card for the plan shares, which are attributable to the units that you hold in the plan, and the shares registered in your name. Your proxy card or proxy submitted through the Internet or by telephone will serve as voting instructions to the plan trustee.

**How are shares voted?** If you return a properly executed proxy card or submit voting instructions by the Internet or telephone before voting at the Annual Meeting is closed, the individuals named as proxies on the enclosed proxy card will vote in accordance with the directions you provide. If you return a signed and dated proxy card but do not indicate how the shares are to be voted, those shares will be voted as recommended by the Board of Directors. A valid proxy card or a vote by the Internet or telephone also authorizes the individuals named as proxies to vote your shares in their discretion on any other matters which, although not described in the Proxy Statement, are properly presented for action at the Annual Meeting.

If your shares are held by a broker, bank or other holder of record, please refer to the instructions they provide for voting your shares. If you want to vote those shares in person at the Annual Meeting, you must bring a signed proxy from the broker, bank or other holder of record giving you the right to vote the shares.

If you are an employee who participates in an AMETEK employee savings plan and you do not return a proxy card or otherwise give voting instructions for the plan shares, the trustee will vote those shares in the same proportion as the shares for which the trustee receives voting instructions from other participants in that plan. Your proxy voting instructions must be received by April 19, 2007 to enable the savings plan trustee to tabulate the vote of the plan shares prior to the Annual Meeting.

**How many votes are required?** A majority of the shares of our outstanding Common Stock entitled to vote at the Meeting must be represented in person or by proxy in order to have a quorum present at the Annual Meeting. Abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining a quorum. A broker non-vote occurs when a bank, broker or other holder of record holding shares for a beneficial owner does not vote on a particular proposal because that holder does not have discretionary voting power for the particular proposal and has not received instructions from the beneficial owner. If a quorum is not present, the Annual Meeting will be rescheduled for a later date.

Directors are elected by a plurality of the votes cast. This means that the two candidates for election as Directors receiving the highest number of votes will be elected to serve until the Annual Meeting in 2010. The approval of the proposed amendment to the Certificate of Incorporation increasing the number of authorized shares of Common Stock requires the affirmative vote of the holders of a majority of all outstanding shares of Common Stock of AMETEK entitled to vote at the Annual Meeting. As a result, abstentions and broker non-votes will have the same effect as a vote against this proposal. The approval of the 2007 Omnibus Incentive Compensation Plan and the ratification of the appointment of Ernst & Young LLP require the affirmative vote of the holders of a majority of eligible shares present at the Annual Meeting, in person or by proxy, and voting on the matter. Abstentions and broker non-votes are not counted as votes for or against these proposals.

**Who will tabulate the vote?** Our transfer agent, American Stock Transfer & Trust Company, will tally the vote, which will be certified by independent inspectors of election.

**Is my vote confidential?** It is our policy to maintain the confidentiality of proxy cards, ballots and voting tabulations that identify individual stockholders, except where disclosure is mandated by law and in other limited circumstances.

**Who is the proxy solicitor?** We have retained Georgeson Shareholder Communications, Inc. to assist in the distribution of proxy materials and solicitation of votes. We will pay Georgeson Shareholder Communications, Inc. a fee of \$8,000, plus reimbursement of reasonable out-of-pocket expenses.

#### **CORPORATE GOVERNANCE**

In accordance with the Delaware General Corporation Law and our Certificate of Incorporation and Bylaws, our business and affairs are managed under the direction of the Board of Directors. We provide information to the Directors about our business through, among other things, operating, financial and other reports, as well as other documents presented at meetings of the Board of Directors and Committees of the Board.

Our Board of Directors currently consists of nine members. They are Lewis G. Cole, Sheldon S. Gordon, Frank S. Hermance, Steven W. Kohlhagen, Charles D. Klein, James R. Malone, David P. Steinmann, Elizabeth R. Varet and Dennis K. Williams. The biographies of the continuing Directors and Director nominees appear on page 21. The Board is divided into three classes with staggered terms of three years each, so that the term of one class expires at each Annual Meeting of Stockholders. In accordance with our Director retirement policy, Mr. Cole will not stand for re-election at this year's Annual Meeting of Stockholders. The Board has nominated the other two current Class I Directors, Messrs. Kohlhagen and Klein, to serve as Class I Directors until the 2010 Annual Meeting. In addition, in accordance with our Certificate of Incorporation and By-Laws, the Board decreased the number of Class I Directors from three to two, thereby decreasing the size of the Board from nine to eight Directors. Mr. Helmut N. Friedlaender, who served as a Director from 1955 to 2006, currently serves as a Director Emeritus.

**Corporate Governance Guidelines and Codes of Ethics.** The Board of Directors has adopted Corporate Governance Guidelines that address the practices of the Board and specify criteria to assist the Board in determining Director independence. These criteria supplement the listing standards of the New York Stock Exchange and the regulations of the Securities and Exchange Commission. Our Code of Ethics and Business Conduct sets forth rules of conduct that apply to all of our Directors, officers and employees. We also have adopted a separate Code of Ethical Conduct for our Chief Executive Officer and senior financial officers. The Guidelines and Codes of Ethics are



available on our Web site at [www.ametek.com/investors](http://www.ametek.com/investors) as well as in printed form, free of charge to any stockholder who requests them, by writing or telephoning the Investor Relations Department, AMETEK, Inc., 37 North Valley Road Building 4, P.O. Box 1764, Paoli, PA 19301-0801 (Telephone Number: 1-800-473-1286). The Board of Directors and our management do not intend to grant any waivers of the provisions of either Code. In the unlikely event a waiver for a Director or an executive officer occurs, the action will be disclosed promptly at the Web site address noted above. If the Guidelines or the Codes are amended, the revised versions also will be posted on the Web site.

**Meetings of the Board.** Our Board of Directors has four regularly scheduled meetings each year. Special meetings are held as necessary. In addition, management and the Directors frequently communicate informally on a variety of topics, including suggestions for Board or Committee agenda items, recent developments and other matters of interest to the Directors.

The independent Directors meet in executive session at least once a year outside of the presence of any management Directors and other members of our management. The presiding Director at the executive sessions rotates among the chairpersons of the Corporate Governance/Nominating Committee, the Compensation Committee and the Audit Committee. During executive sessions, the Directors may consider such matters as they deem appropriate. Following each executive session, the results of the deliberations and any recommendations are communicated to the full Board of Directors.

Directors are expected to attend all meetings of the Board and each Committee on which they serve and are expected to attend the Annual Meeting of Stockholders. Our Board met in person a total of four times in 2006. Each of the Directors attended at least 75% of the meetings of the Board and the Committees to which the Director was assigned. All nine Directors attended the 2006 Annual Meeting of Stockholders.

**Independence .** The Board of Directors has affirmatively determined that each of the current Non-Management Directors, Lewis G. Cole, Sheldon S. Gordon, Steven W. Kohlhagen, Charles D. Klein, James R. Malone, David P. Steinmann, Elizabeth R. Varet and Dennis K. Williams, has no material relationship with us (either directly or as a partner, stockholder or officer of an organization that has a relationship with us) and, therefore, is an independent Director within the meaning of the New York Stock Exchange rules. The Board has further determined that each member of the Audit, Compensation and Corporate Governance/Nominating Committees is independent within the meaning of the New York Stock Exchange rules. The members of the Audit Committee also satisfy Securities and Exchange Commission regulatory independence requirements for audit committee members.

The Board has established the following standards to assist it in determining Director independence: A Director will not be deemed independent if: (i) within the previous three years or currently, (a) the Director has been employed by us; (b) someone in the Director's immediate family has been employed by us as an executive officer; or (c) the Director or someone in her/his immediate family has been employed as an executive officer of another entity that concurrently has or had as a member of its compensation committee of the board of directors any of our present executive officers; (ii) (a) the Director or someone in the Director's immediate family is a current partner of a firm that is our internal or external auditor; (b) the Director is a current employee of the firm, or someone in the Director's immediate family is a current employee of the firm who participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; or (c) the Director or someone in the Director's immediate family is a former partner or employee of such a firm and personally worked on our audit within the last three years; (iii) the Director received, or someone in the Director's immediate family received, during any twelve-month period within the last three years, more than \$100,000 in direct compensation from us, other than Director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service) and, in the case of an immediate family member, other than compensation for service as our employee (other than an executive officer). The following commercial or charitable relationships will not be considered material relationships: (i) if the Director is a current employee or holder of more than ten percent of the equity of, or someone in her/his immediate family is a current executive officer or holder of more than ten percent of the equity of, another company that has made payments to, or received payments from, us for property or services in an amount which, in any of the last three fiscal years of the other company, does not exceed \$1 million or two percent of the other company's consolidated gross revenues, whichever is greater, or (ii) if the Director is a current executive officer of a charitable

organization, and we made charitable contributions to the charitable organization in

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any of the charitable organization's last three fiscal years that do not exceed \$1 million or two percent of the charitable organization's consolidated gross revenues, whichever is greater. For the purposes of these categorical standards, the terms "immediate family member" and "executive officer" have the meanings set forth in the New York Stock Exchange's corporate governance rules.

All independent Directors satisfied these categorical standards.

In considering the independence of the Non-Management Directors, the Board considered some relationships that it concluded did not impair the Director's independence. In addition to the relationships described below under "Certain Relationships and Related Transactions," the Board considered that Mr. Klein, Mr. Steinmann and Ms. Varet may be deemed to have a relationship with an entity that purchases motors from us. In addition, the Board considered Mr. Cole's position as of counsel to a law firm that rendered services to us in 2006.

**Communication with Non-Management Directors and Audit Committee.** Stockholders and other parties who wish to communicate with the Non-Management Directors may do so by calling 1-877-263-8357 (in the United States and Canada) or 1-610-889-5271. If you prefer to communicate in writing, address your correspondence to the Corporate Secretary Department, Attention: Non-Management Directors, AMETEK, Inc., 37 North Valley Road Building 4, P.O. Box 1764, Paoli, PA 19301-0801.

You may address complaints regarding accounting, internal accounting controls or auditing matters to the Audit Committee by calling 1-866-531-3079 (Domestic - English only) or 1-866-551-8006 (International - Foreign Languages).

**Committees of the Board.** Our Board Committees include Audit, Compensation, Corporate Governance/Nominating, Pension Investment and Executive. The Charters of the Audit, Compensation and Corporate Governance/Nominating Committees are available on our Web site at [www.ametek.com/investors](http://www.ametek.com/investors) as well as in printed form, free of charge to any stockholder who requests them, by writing or telephoning the Investor Relations Department, AMETEK, Inc., 37 North Valley Road Building 4, P.O. Box 1764, Paoli, PA 19301-0801 (Telephone Number: 1-800-473-1286). Each of the Audit, Compensation and Corporate Governance/Nominating Committees conducts an annual assessment to assist it in evaluating whether, among other things, it has sufficient information, resources and time to fulfill its obligations and whether it is performing its obligations effectively. Each Committee may retain advisors to assist it in carrying out its responsibilities.

*The Audit Committee* has the sole authority to retain, compensate, terminate, oversee and evaluate our independent auditors. In addition, the Audit Committee is responsible for:

- review and approval in advance of all audit and lawfully permitted non-audit services performed by the independent auditors;

- review and discussion with management and the independent auditors regarding the annual audited financial statements and quarterly financial statements included in our Securities and Exchange Commission filings and quarterly sales and earnings announcements;

- oversight of our compliance with legal and regulatory requirements;

- review of the performance of our internal audit function;

- meeting separately with the independent auditors and our internal auditors as often as deemed necessary or appropriate by the Committee; and

- review of major issues regarding accounting principles, financial statement presentation and the adequacy of internal controls.

The Committee met eight times during 2006. The Board of Directors has determined that Sheldon S. Gordon is an audit committee financial expert within the meaning of the Securities and Exchange Commission's regulations. The members of the Committee are Sheldon S. Gordon Chairperson, Steven W. Kohlhagen and James R. Malone. Mr. Kohlhagen currently serves on the audit committees of boards of directors of seven related Merrill Lynch closed-end investment companies (all of which have identical board compositions and committee structures), which funds are publicly traded. After its review and consideration of Mr. Kohlhagen's simultaneous service on the audit committees of the Merrill Lynch closed-end investment companies, the Board has determined that Mr. Kohlhagen's simultaneous service on those audit committees does not impair his ability to serve effectively on our Audit Committee.

*The Compensation Committee* is responsible for, among other things:

- establishment and periodic review of our compensation philosophy and the adequacy of the compensation plans for our officers and other employees;

- establishment of compensation arrangements and incentive goals for officers and administration of compensation plans;

- review of the performance of officers, award of incentive compensation and adjustment of compensation arrangements as appropriate based on performance;

- review and monitoring of management development and succession plans; and

- periodic review of the compensation of non-employee Directors.

The Committee met five times during 2006. The members of the Committee are Charles D. Klein Chairperson, James R. Malone and Elizabeth R. Varet. In carrying out its duties, the Compensation Committee makes compensation decisions for approximately 30 officers, including all executive officers. The Compensation Committee charter does not provide for delegation of the Committee's duties and responsibilities. The charter provides that, in setting compensation for the Chief Executive Officer, the Committee will review and evaluate the Chief Executive Officer's performance and leadership, taking into account the views of other members of the Board. The charter further provides that, with the participation of the Chief Executive Officer, the Committee evaluates the performance of other officers and determines compensation for these officers. In this regard, Compensation Committee meetings are regularly attended by the Chief Executive Officer. The Chief Executive Officer does not participate in determinations of his compensation. The Compensation Committee has authority under the charter to retain and set compensation for compensation consultants and other advisors. The Committee has engaged Towers Perrin to provide advice and data. Towers Perrin provides other consulting services to us.

*The Corporate Governance/Nominating Committee* is responsible for, among other things:

- selection of nominees for election as Directors, subject to ratification by the Board;

- recommendation of a Director to serve as Chairperson of the Board;

- recommendation to the Board of the responsibilities of Board Committees and each Committee's membership;

- oversight of the annual evaluation of the Board and the Audit and Compensation Committees; and

- review and assessment of the adequacy of our Corporate Governance Guidelines.

The Committee met four times during 2006. The members of the Committee are James R. Malone Chairperson, Charles D. Klein, David P. Steinmann and Dennis K. Williams.

*The Pension Investment Committee* reviews the administration of our retirement plans, including compliance, investment manager and trustee performance, and the results of independent audits of the plans. The Committee met four times during 2006. The members of the Committee are Lewis G. Cole Chairperson, Sheldon S. Gordon, Steven W. Kohlhagen and David P. Steinmann.

*The Executive Committee* has limited powers to act on behalf of the Board whenever the Board is not in session. The Committee did not meet during 2006. The members of the Committee are Frank S. Hermance Chairperson, Charles D. Klein, Elizabeth R. Varet and Dennis K. Williams.

**Consideration of Director Candidates.** The Corporate Governance/Nominating Committee considers candidates for Board membership. The Charter of the Corporate Governance/Nominating Committee requires that the Committee consider and recommend to the Board the appropriate size, function and composition of the Board, so that the Board as a whole collectively possesses a broad range of skills, industry and other knowledge, and business and other experience useful for the effective oversight of our business. The Board also seeks members from diverse backgrounds who have a reputation for integrity. In addition, Directors should have experience in positions with a high degree of responsibility, be leaders in the companies or institutions with which they are affiliated, and be selected based upon contributions that they can make to our company. The Committee considers all of these qualities when nominating candidates for Director.

Stockholders can recommend qualified candidates for Director by writing to the Corporate Secretary, AMETEK, Inc., 37 North Valley Road Building 4, P.O. Box 1764, Paoli, PA 19301-0801. Stockholder submissions must include the following information: (1) the name of the candidate and the information about the individual that would be required to be included in a proxy statement under the rules of the Securities and Exchange Commission; (2) information about the relationship between the candidate and the nominating shareholder; (3) the consent of the candidate to serve as a director; and (4) proof of the number of shares of our Common Stock that the recommending stockholder owns and the length of time that the shares have been owned. To enable consideration of a candidate in connection with the 2008 Annual Meeting, a stockholder must submit materials relating to the suggested candidate no later than November 17, 2007. In considering any candidate proposed by a stockholder, the Corporate Governance/Nominating Committee will reach a conclusion based on the criteria described above in the same manner as for other candidates. The Corporate Governance/Nominating Committee also may seek additional information regarding the candidate. After full consideration by the Corporate Governance/Nominating Committee, the stockholder proponent will be notified of the decision of the Committee.

**Director Compensation.** Standard compensation arrangements for Directors in 2006 are described below. All information regarding restricted stock and stock options has been adjusted to reflect the three-for-two stock split paid to stockholders on November 27, 2006.

**Fees** Non-employee Directors received an annual fee of \$35,000, except for the Chairmen of the Compensation, Corporate Governance/Nominating and Pension Investment Committees, who received an annual fee of \$40,000, and the Chairman of the Audit Committee, who received an annual fee of \$45,000. In addition, non-employee Directors received \$3,750 for each of the four regular meetings of the Board of Directors they attended. There were no additional fees for attendance at Committee meetings.

**Restricted Stock** On April 26, 2006, under our 2002 Stock Incentive Plan, each non-employee Director received a restricted stock award of 1,080 shares of our Common Stock. These restricted shares vest on the earliest to occur of:

the closing price of our Common Stock on any five consecutive trading days equaling or exceeding \$66.14,

the death or disability of the Director,

the Director's termination of service as a member of AMETEK's Board of Directors in connection with a change of control,

the fourth anniversary of the date of grant, namely April 26, 2010, or

the Director's retirement from service as a member of the Board of Directors at or after age 55 and the completion of at least 10 years of service with us, in which case only a pro rata portion of the shares becomes non-forfeitable and transferable, based upon the time that has elapsed since the date of grant.

Options On April 26, 2006, under our Stock Incentive Plan, each non-employee Director received an option to purchase 3,645 shares of our Common Stock, at an exercise price equal to the average of the highest and lowest quoted selling prices of AMETEK's Common Stock on the New York Stock Exchange composite tape on the date of grant. Stock options become exercisable as to the underlying shares in four equal annual installments beginning one year after the date of grant.

The following table provides information regarding Director compensation in 2006, which reflects the standard compensation described above and certain other payments. The table does not include compensation for reimbursement of travel expenses related to attending Board, Committee and AMETEK business meetings, and approved educational seminars. In addition, the table does not address compensation for Mr. Hermance, which is addressed under Executive Compensation below. Mr. Hermance does not receive additional compensation for serving as a Director.

**DIRECTOR COMPENSATION 2006**

Name	Fees Earned or Paid in		Option Awards (2)	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation		Total
	Cash	Stock Awards (1)			Earnings	All Other Compensation (3)	
Lewis G. Cole	\$ 55,000	\$ 25,256	\$ 34,956				\$ 115,212
Sheldon S. Gordon	60,000	25,256	34,956				120,212
Charles D. Klein	55,000	25,256	34,956				115,212
Steven W. Kohlhagen	37,500	5,953	5,826			\$5,000	54,279
James R. Malone	55,000	25,256	34,956				115,212
David P. Steinmann	50,000	25,256	34,956				110,212
Elizabeth R. Varet	50,000	25,256	34,956				110,212
Dennis K. Williams	37,500	5,953	5,826				49,279

(1) The amounts shown for stock awards relate to restricted

shares granted under our 2002 Stock Incentive Plan. These amounts are equal to the dollar amounts recognized in 2006 with respect to the Directors stock awards for financial reporting purposes, in accordance with Statement of Financial Accounting Standards No. 123(R), which we refer to below as SFAS 123(R), but without giving effect to estimated forfeitures. The grant date fair value of stock awards granted to each Director in 2006, computed in accordance with SFAS 123(R), was \$35,712. The assumptions used in determining the amounts in this column are set forth in note 9 to our consolidated financial statements on page 37 of Appendix B to this proxy statement. At December 31, 2006, Messrs. Cole, Gordon, Klein, Malone and Steinmann and Ms. Varet each held 4,455 restricted shares and Messrs. Kohlhagen and Williams each

held 1,080  
restricted shares.



(2) The amounts shown for option awards relate to stock options granted under our 2002 Stock Incentive Plan. These amounts are equal to the dollar amounts recognized in 2006 with respect to the Directors option awards for financial reporting purposes, computed in accordance with SFAS 123(R), but without giving effect to estimated forfeitures. The assumptions used in determining the amounts in this column are set forth in note 9 to our consolidated financial statements on page 37 of Appendix B to this proxy statement. The grant date fair value of option awards granted to each Director in 2006, computed in accordance with SFAS 123(R), was \$34,968. At December 31, 2006, Messrs. Cole, Gordon, Klein, Malone and Steinmann and Ms. Varet each held options to purchase 12,795 shares of our Common Stock and

Messrs. Kohlhagen and Williams each held options to purchase 3,645 shares of our Common Stock.

- (3) Represents fees for consulting services performed prior to Mr. Kohlhagen's election as a non-employee Director in April 2006.

Directors who first became members of the Board of Directors prior to January 1, 1997 participate in a retirement plan for Directors. Under this plan, each non-employee Director who has provided at least three years of service to us as a Director receives an annual retirement benefit equal to 100% of that Director's highest annual rate of cash compensation during the Director's service with the Board. Mr. Steinmann and Ms. Varet have accrued an annual retirement benefit of \$50,000. Messrs. Cole, Klein and Malone have accrued an annual retirement benefit of \$55,000. Mr. Gordon has accrued an annual retirement benefit of \$60,000.

Directors who first became members of the Board of Directors prior to July 22, 2004 participate in our Death Benefit Program for Directors. Under this program, each non-employee Director has an individual agreement that pays the Director (or the Director's beneficiary in the event of the Director's death) an annual amount equal to 100% of that Director's highest annual rate of cash compensation during the Director's service with the Board. The payments are made for 10 years beginning at the earlier of (a) the Director's being retired and having attained age 70 or (b) the Director's death. Directors elected after January 1, 1989 must complete five years of service as a Director in order to receive benefits under this program. The program is funded by individual life insurance policies that we purchased on the lives of the Directors. In addition, non-employee Directors who first became members of the Board of Directors prior to July 27, 2005 have a group term life insurance benefit of \$50,000. We retain the right to terminate any of the individual agreements under certain circumstances.

**Mandatory Retirement.** The retirement policy for our Board of Directors prohibits a Director from standing for re-election following his or her 75<sup>th</sup> birthday.

**Certain Relationships and Related Transactions.** Mr. Kohlhagen's brother-in-law is employed by us in a non-executive officer capacity and received compensation in excess of \$120,000 in 2006. Mr. Hermance's son is employed by us in a non-executive officer capacity and received compensation in excess of \$120,000 in 2006. Under our written Related Party Transactions Policy, transactions that would require disclosure under SEC regulations must be approved in advance by the Audit Committee. The relationships described above were ratified by the Audit Committee under the policy.

**ADVANCE NOTICE PROCEDURES**

In accordance with our By-Laws, stockholders must give us notice relating to nominations for Director or proposed business to be considered at our 2008 Annual Meeting of Stockholders no earlier than January 23, 2008 nor later than February 22, 2008. These requirements do not affect the deadline for submitting stockholder proposals for inclusion in the proxy statement or for suggesting candidates for consideration by the Corporate Governance/Nominating Committee, nor do they apply to questions a stockholder may wish to ask at the Annual Meeting. Stockholders may request a copy of the By-Law provisions discussed above from the Corporate Secretary, AMETEK, Inc., 37 North Valley Road Building 4, P.O. Box 1764, Paoli, PA 19301-0801.

**STOCKHOLDER PROPOSALS FOR THE 2008 PROXY STATEMENT**

To be considered for inclusion in the proxy statement for the 2008 Annual Meeting of Stockholders, stockholder proposals must be received at our executive offices no later than November 17, 2007.

### REPORT OF THE AUDIT COMMITTEE

The responsibilities of the Audit Committee are set forth in its Charter, which is accessible on AMETEK's Web site at [www.ametek.com/investors](http://www.ametek.com/investors). Among other things, the Charter charges the Committee with the responsibility for reviewing AMETEK's audited financial statements and the financial reporting process. In fulfilling its oversight responsibilities, the Committee reviewed with management and Ernst & Young LLP, AMETEK's independent registered public accounting firm, the audited financial statements contained in AMETEK's 2006 Annual Report on Form 10-K and included in Appendix B to this Proxy Statement. The Committee discussed with Ernst & Young LLP the matters required to be discussed by Statement on Auditing Standards No. 61, *Communication with Audit Committees*, as amended.

In addition, the Committee received the written disclosures and letter from Ernst & Young LLP required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, and has discussed with Ernst & Young LLP its independence.

The Committee discussed with AMETEK's internal auditors and Ernst & Young LLP the overall scope and plans for their respective audits. The Committee met with the internal auditors and Ernst & Young LLP, with and without management present, to discuss the results of their examinations, their evaluations of AMETEK's disclosure control process and internal control over financial reporting, and the overall quality of AMETEK's financial reporting. The Committee held eight meetings during the fiscal year ended December 31, 2006, which included telephone meetings prior to quarterly earnings announcements.

Based on the reviews and discussions referred to above, the Committee recommended to the Board of Directors, and the Board approved, the inclusion of the audited financial statements in AMETEK's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, for filing with the Securities and Exchange Commission.

Respectfully submitted,

The Audit Committee:

*Sheldon S. Gordon, Chairperson*

*Steven W. Kohlhagen*

*James R. Malone*

Dated: March 16, 2007

**ELECTION OF DIRECTORS  
(Proposal 1 on Proxy Card)**

The nominees for election at this year's Annual Meeting are Charles D. Klein and Steven W. Kohlhagen. Messrs. Klein and Kohlhagen have been nominated to serve as Class I Directors and, if elected, will serve until the Annual Meeting in 2010.

All proxies received will be voted for the election of the nominees unless the stockholder submitting the proxy gives other directions. Nominees will be elected by holders of a plurality of shares represented either in person or by proxy at the Annual Meeting and entitled to vote. If any nominee is unable to serve, the shares represented by all valid proxies will be voted for the election of such other person as the Board may nominate, unless the Board determines to reduce the number of Directors.

The Directors' biographies are set forth on page 21.

**Your Board of Directors Recommends a Vote FOR Each of the Nominees.**

**APPROVAL OF AN AMENDMENT TO THE  
CERTIFICATE OF INCORPORATION INCREASING  
AUTHORIZED SHARES OF COMMON STOCK  
(Proposal 2 on Proxy Card)**

Under Article FOURTH, Section 1 of our Amended and Restated Certificate of Incorporation, as amended, we presently are authorized to issue 200,000,000 shares of Common Stock with a par value of \$.01 per share. On November 27, 2006, we effected a three-for-two stock split of our Common Stock but did not at that time increase the authorized number of shares of Common Stock. Accordingly, we are proposing to amend Section 1 of Article FOURTH of our Certificate of Incorporation to increase the number of shares of Common Stock that we are authorized to issue from 200,000,000 to 400,000,000 shares. The proposed amendment reads as follows:

FOURTH. Section 1. Authorized Capital Stock. The Company is authorized to issue two classes of capital stock, designated Common Stock and Preferred Stock. The total number of shares of capital stock that the Company is authorized to issue is 405,000,000 shares, consisting of 400,000,000 shares of Common Stock, par value \$0.01 per share, and 5,000,000 shares of Preferred Stock, par value \$0.01 per share.

At February 28, 2007, there were 106,240,082 shares of Common Stock issued and outstanding and 6,358,854 shares were reserved for issuance under our stock incentive plans. No shares of preferred stock are outstanding, and the proposed amendment will not affect the number of authorized shares of preferred stock.

The Board of Directors believes that it is in the best interests of our company and our stockholders to increase the number of authorized shares of Common Stock. The increase in authorized shares will provide flexibility with respect to future transactions, including acquisitions of other businesses, because we will have the ability to use our Common Stock (or securities convertible into or exercisable for Common Stock) as consideration for such transactions. We also may use such additional shares for financing transactions, stock splits and other corporate purposes. The additional shares will enable us to avoid the time-consuming and costly need to hold a special meeting of stockholders each time we determine to use Common Stock for these purposes. Moreover, occasions may arise when the time required to obtain stockholder approval might delay our ability to enter into a desirable transaction.

If the proposal is approved, the Board of Directors will have the sole discretion to issue the additional authorized shares of Common Stock on such terms and for such consideration as it may determine, and no further approval by stockholders would be necessary, except as may be required by law or applicable New York Stock Exchange rules. In some cases, generally relating to the number of shares to be issued and the identity of the recipient, the rules of the New York Stock Exchange require stockholder authorization before we can issue Common Stock.

Stockholders will not have any preemptive rights with respect to the additional shares being authorized. The issuance of any additional shares of Common Stock may have the effect of diluting the percentage of stock ownership of our present stockholders.

The affirmative vote of holders of a majority of all outstanding shares of Common Stock entitled to vote on this proposal at the Annual Meeting is required in order for the proposed amendment to the Certificate of Incorporation to be adopted.

**Your Board of Directors recommends a Vote FOR this Proposal.**

**APPROVAL OF THE AMETEK, INC. 2007  
OMNIBUS INCENTIVE COMPENSATION PLAN  
(Proposal 3 on Proxy Card)**

On February 23, 2007, the Board of Directors adopted the AMETEK, Inc. 2007 Omnibus Incentive Compensation Plan (the Plan), subject to stockholder approval. The Board of Directors has directed that the proposal to approve the Plan be submitted to our stockholders for their approval at the Annual Meeting.

We believe that the Plan will enhance our ability to attract, retain and motivate top quality employees and encourage them to contribute to our growth. We also believe that the Plan will enable us to continue to align the interests of our employees and directors with those of our stockholders through the grant to employees and directors of stock options, stock units, stock awards or stock appreciation rights under the Plan.

The Plan is intended to enable the Compensation Committee of the Board of Directors to make annual bonus awards to executives based on achievement of objective performance goals, in accordance with the requirements for qualified performance-based compensation under Section 162(m) of the Code.

The Committee also may grant to executives other bonuses as the Committee deems appropriate, which may be based on such criteria as the Committee determines. Decisions with respect to these bonuses will be made separate and apart from the bonus awards intended to qualify under Section 162(m).

We intend to continue to grant stock options and other equity awards under our existing equity plans, from the shares reserved for issuance under those plans.

If approved by the stockholders, the Plan will become effective on February 23, 2007. Any grant or annual bonus award made under the Plan prior to the Annual Meeting will be subject to stockholder approval of the Plan at the Annual Meeting. If for any reason the stockholders do not approve the Plan at the Annual Meeting, the Plan will immediately terminate and no grants or bonus awards will be made under the Plan.

The material terms of the Plan are summarized below. A copy of the full text of the Plan is attached to this Proxy Statement as Appendix A. This summary of the Plan is not intended to be a complete description of the Plan and is qualified in its entirety by the actual text of the Plan to which reference is made.

### **Material Features of the Plan**

*General.* The Plan provides that grants and awards may be made in any of the following forms:

Incentive stock options

Nonqualified stock options

Stock units

Stock awards

Stock appreciation rights

Performance-based cash bonus awards

The Plan authorizes up to 3,500,000 shares of Common Stock for issuance. Within this limit, the maximum aggregate number of shares of Common Stock with respect to which stock awards and stock units may be issued during the term of the Plan is 1,050,000 shares. The last reported sale price of our Common Stock on February 28, 2007, was \$34.16 per share.

If and to the extent options and stock appreciation rights granted under the Plan terminate, or are cancelled or exchanged without being exercised, or if any stock units or stock awards are forfeited or terminated, or otherwise not paid in full, the shares subject to such grants will become available again for purposes of the Plan. Shares of Common Stock surrendered in payment of the exercise price of an option, and shares withheld or surrendered for payment of taxes, will not be available for reissuance under the Plan. If stock appreciation rights are exercised, the full number of shares subject to the stock appreciation rights will be considered issued under the Plan, without regard to the number of shares issued upon exercise of the stock appreciation rights and without regard to any cash settlement of the stock appreciation rights. A grant of stock units that is designated in the grant agreement to be paid in cash, rather than in shares of Common Stock, will not count against the foregoing share limits.

The Plan provides that the maximum aggregate number of shares of Common Stock with respect to which grants may be made to any individual during any calendar year is 1,225,000 shares. All grants under the Plan will be expressed in shares of Common Stock.

All share limits described above are subject to adjustment in certain circumstances as described below.

*Administration.* The Plan will be administered and interpreted by the Compensation Committee, or such other committee of non-employee Directors as may be appointed by the Board to administer the Plan (the Committee). The Committee may appoint an administrative committee comprised of our employees to perform ministerial functions under the Plan.

The Committee has the authority to (i) determine the individuals to whom grants or bonus awards will be made under the Plan, (ii) determine the type, size, terms and conditions of the grants or bonus awards, (iii) determine when grants or bonus awards will be made, subject to our stock-based award grant practices, (iv) establish any performance goals for grants or bonus awards, (v) determine the duration of any applicable exercise or restriction period, including the criteria for exercisability or vesting and any acceleration of exercisability or vesting, (vi) amend the terms and conditions of any previously issued grant or bonus award, subject to the limitations described below, and (vii) deal with any other matters arising under the Plan.

*Eligibility for Participation.* All of our employees and non-employee Directors are eligible to receive grants under the Plan. As of March 31, 2007, we estimate that approximately 300 employees and eight non-employee Directors will be designated to receive grants under the Plan. Only executives are eligible to receive bonus awards under the Plan.

*Types of Awards.*

Stock Options

We may grant options that are intended to qualify as incentive stock options within the meaning of Section 422 of the Code ( ISOs ) or nonqualified stock options that are not intended to so qualify ( NQSOs ). Anyone eligible to participate in the Plan may receive a grant of NQSOs. Only employees may receive a grant of ISOs.

The Committee will fix the exercise price per share and term of each option on the date of grant. The exercise price must be equal to or greater than the last reported sale price of the underlying shares of Common Stock on the date of grant, and the term of each option may not exceed seven years. The Committee will determine under what circumstances, if any, and during what time periods a participant may exercise an option after termination of employment or service.

An ISO may not be granted to an employee who holds more than 10% of the total combined voting power of all classes of outstanding stock. To the extent that the aggregate fair market value of shares of Common Stock, determined on the date of grant, with respect to which ISOs become exercisable for the first time by a participant during any calendar year exceeds \$100,000, such ISOs will be treated as NQSOs.

A participant may pay the exercise price and any withholding taxes for an option: (i) in cash; (ii) if the Committee permits, by delivering shares of Common Stock already owned by the participant and having a fair market value on the date of exercise equal to the exercise price or by attestation to ownership of shares of Common Stock having an aggregate fair market value on the date of exercise equal to the exercise price; (iii) by payment through a broker in accordance with the procedures permitted by Regulation T of the Federal Reserve Board; or (iv) by such other method as the Committee may approve.

Stock Units

The Committee may grant stock units, which provide the participants with the right to receive, at a future date, a share of Common Stock or an amount based on the value of a share of Common Stock. The Committee will determine the terms and conditions of the stock units, including (i) whether stock units will become payable based on achievement of performance goals or other conditions, (ii) and whether stock units will be paid at the end of a specified period or deferred to a date authorized by the Committee. The Committee will determine in the grant agreement under what circumstances, if any, a participant may retain stock units after termination of employment or service. If a stock unit becomes distributable, it will be paid to the participant in cash, in shares of Common Stock, or in a combination of cash and shares of Common Stock, as determined by the Committee.

The Committee may grant dividend equivalents in connection with stock units on such terms and conditions as it determines. Dividend equivalents will be payable in cash or shares of Common Stock and may be paid currently or may be deferred.

Stock Awards

The Committee may grant stock awards having such terms and conditions, including vesting conditions, as the Committee determines. However, all stock awards must have a vesting period of at least three years, except upon the occurrence of such circumstance or event as, in the opinion of the Committee, merits special consideration. The Committee will determine in the grant agreement under what circumstances, if any, a participant may retain unvested stock awards after termination of employment or service.

The Committee will determine to what extent and under what conditions participants will have the right to vote shares of Common Stock subject to stock awards and to receive dividends paid on such shares during the restriction period. The Committee may determine that a participant's entitlement to dividends with respect to stock awards will be subject to the achievement of performance goals or other conditions. Accumulated dividends may be paid in cash or in such other form as the Committee determines.



### Stock Appreciation Rights

The Committee may grant stock appreciation rights to anyone eligible to participate in the Plan. Stock appreciation rights may be granted in connection with, or independently of, any option granted under the Plan. Upon exercise of a stock appreciation right, the participant will receive an amount equal to the excess of the fair market value of the Common Stock on the date of exercise over the base amount for the stock appreciation right. Payment will be made in cash, shares of Common Stock, or a combination of the two.

The Committee will fix the base amount and term of each stock appreciation right on the date of grant. The base amount of each stock appreciation right will be not less than the last reported sale price of a share of Common Stock on the date of grant, and the term of each stock appreciation right may not exceed seven years. The Committee will determine the terms and conditions of stock appreciation rights, including when they become exercisable. Except as provided in the grant agreement, stock appreciation rights may be exercised only while the participant is employed by or providing service to us and our subsidiaries. The Committee will determine under what circumstances, if any, and during what time periods a participant may exercise a stock appreciation right after termination of employment or service.

### Qualified Performance-Based Compensation

The Plan permits the Committee to impose objective performance goals that must be met with respect to grants of stock units, stock awards, dividend equivalents or dividends granted to employees under the Plan, in order for the grants to be considered qualified performance-based compensation for purposes of Section 162(m) of the Code (see

Federal Income Tax Consequences below). If the Committee determines to utilize performance goals, the Committee will establish in writing the performance goals that must be met, the applicable performance period, the amounts to be paid if the performance goals are met, and any other conditions. The Committee may provide in the grant agreement that qualified performance-based grants will be payable or restrictions on such grants will lapse, in whole or part, in the event of the participant's death or disability during the performance period, a change of control, or under other circumstances consistent with Department of Treasury regulations.

The performance goals, to the extent designed to meet the requirements of Section 162(m) of the Code for preserving deductibility of award payouts, will be based on one or more of the following measures: stock price, earnings per share, diluted earnings per share, price-earnings multiples, net income, operating income, revenues, working capital, operating working capital, number of days sales outstanding in accounts receivable, inventory turnover, productivity, operating income margin, EBITDA (earnings before interest, taxes, depreciation and amortization), net capital employed, return on assets, stockholder return, return on equity, return on capital employed, growth in assets, unit volume, sales, sales growth, return on sales, internal sales growth, operating cash flow, free cash flow, market share, relative performance to a comparison group designated by the Committee, or strategic business criteria consisting of one or more objectives based on meeting specified revenue goals, market penetration goals, customer growth, geographic business expansion goals, cost targets or goals relating to acquisitions or divestitures. The performance goals may relate to one or more business units or the performance of our company and subsidiaries as a whole, or any combination of the foregoing.

The Committee will not have the discretion to increase the amount of compensation that is payable, but may reduce the amount of compensation that is payable under grants it designates as qualified performance-based compensation. At the end of the performance period, the Committee will certify the performance results for the performance period, and determine the amount, if any, to be paid under each grant based on the achievement of the performance goals and the satisfaction of all other terms of the grant agreement.

If dividend equivalents or dividends are granted as qualified performance-based compensation under Section 162(m) of the Code, the participant may not accrue more than \$500,000 of such dividend equivalents or dividends during any calendar year.

### Bonus Awards

In addition to the foregoing, the Committee may grant annual bonus awards under the Plan to executives, upon such terms and conditions as the Committee deems appropriate. The annual bonus awards are intended to meet the requirements of qualified performance-based compensation under Section 162(m) of the Code. Prior to, or soon after the beginning of, the performance period, the Committee will select the executives who will be eligible for bonus awards, specify the annual performance period and establish in writing the target bonus awards and performance goals for the performance period. A participant's target bonus award may provide for differing amounts to be paid based on differing thresholds of performance. The performance goals will be based on one or more of the measures described above under Qualified Performance-Based Compensation.

The Committee will not have the discretion to increase the amount of compensation that is payable based on achievement of the performance goals, but may reduce the amount of compensation based upon its assessment of personal performance or other factors. After the performance period ends, the Committee will certify the performance results for the performance period, and determine the amount, if any, to be paid under the bonus award, based on the achievement of the performance goals, the Committee's exercise of its discretion to reduce bonus awards and the satisfaction of all other terms of the bonus award. If a change of control occurs prior to the end of a performance period, the Committee may determine that each participant who is then an employee and was awarded a target bonus award for the performance period may receive a bonus award for the performance period, in such amount and at such time as the Committee determines.

The maximum bonus award designated as Section 162(m) qualified performance-based compensation that may be payable to any participant under the Plan for an annual performance period is \$5,000,000.

In addition to bonus awards that are designated as Section 162(m) qualified performance-based compensation, as described above, the Committee may grant to executives other bonuses that the Committee deems appropriate, which may be based on individual performance, our company's performance or such other criteria as the Committee determines. Decisions with respect to such bonuses shall be made separate and apart from the bonus awards described above.

*Deferrals.* The Committee may permit or require participants to defer receipt of the payment of cash or the delivery of shares of Common Stock that would otherwise be due to the participant in connection with any grant or bonus award under the Plan. The Committee will establish the rules and procedures applicable to any such deferrals.

*Adjustment Provisions.* In the event of a stock dividend, extraordinary dividend, spinoff, recapitalization, stock split, combination or exchange of shares, merger, reorganization, consolidation or similar event, the number of shares of Common Stock available for grants, the various share limits described above, and the price per share or the applicable market value of such grants will be equitably adjusted by the Committee in order to preclude, to the extent practicable, the enlargement or dilution of the rights and benefits under such grants. Any adjustment to outstanding grants will be consistent with specified provisions of the Code, to the extent applicable.

*Change of Control.* In the event of a change of control, the Committee may take any of the following actions with respect to any or all outstanding grants under the Plan: (i) determine that all outstanding options and stock appreciation rights will become fully exercisable, the restrictions on all outstanding stock awards will lapse, and accumulated dividends will be paid, as of the date of the change of control or at such other time as the Committee determines; (ii) require that participants surrender their options and stock appreciation rights in exchange for payment by us, in cash or shares of Common Stock as determined by the Committee in an amount equal to the amount, if any, by which the then fair market value of the shares subject to the participant's unexercised options and stock appreciation rights exceeds the exercise price of the options or the base amount of the stock appreciation rights, as applicable; (iii) after giving participants the opportunity to exercise their options and stock appreciation rights, terminate any or all unexercised options and stock appreciation rights at such time as the Committee determines appropriate; (iv) determine that participants holding stock units will receive one or more payments in settlement of such stock units and accumulated dividend equivalents, in such amount and form and on such terms as

the Committee determines; or (v) determine that any grants that remain outstanding after the change of control will be converted to similar grants of the surviving corporation.

For purposes of the Plan, a change of control will be deemed to have occurred if one of the following events occurs:

Any person becomes the beneficial owner of securities representing 20% or more of the voting power of our securities, provided that a change of control will not occur as a result of a transaction in which we become a subsidiary of another corporation and in which our stockholders, immediately prior to the transaction, will own shares representing more than 50% of the parent corporation.

Consummation of a merger or consolidation whereby our stockholders immediately before the transaction do not own securities representing more than 50% of the voting power of the securities of the surviving company.

A sale or other disposition of all or substantially all of our assets.

A plan of liquidation or dissolution of our company.

*Transferability of Grants.* Only the participant may exercise rights under a grant during the participant's lifetime. A participant may not transfer those rights except by will or the laws of descent and distribution. The Committee may provide, in a grant agreement, that a participant may transfer NQSOs to his or her family members, or one or more trusts or other entities for the benefit of or owned by such family members, consistent with applicable securities laws, according to such terms as the Committee may determine.

Bonus awards are not transferable. If a participant dies, any amounts payable after the participant's death under a bonus award will be paid to the personal representative or other person entitled to succeed to the participant's rights.

*Participants Outside the United States.* If any individual who receives a grant under the Plan is subject to taxation in a country other than the United States, the Committee may make the grant on such terms and conditions as the Committee determines appropriate to comply with the laws of the applicable country.

*No Repricing of Options or Stock Appreciation Rights.* Neither the Board of Directors nor the Committee can amend the Plan or options or stock appreciation rights previously granted under the Plan to permit a repricing of options or stock appreciation rights, without prior stockholder approval.

*Amendment and Termination of the Plan.* The Board of Directors may amend or terminate the Plan at any time, subject to stockholder approval if such approval is required under any applicable laws or stock exchange requirements. The Plan will terminate on February 22, 2017, unless the Plan is terminated earlier by the Board or is extended by the Board with stockholder approval.

*Shareholder Approval for Qualified Performance-Based Compensation.* The Plan must be re-approved by the our stockholders no later than the first stockholders' meeting that occurs in the fifth year following the year in which the stockholders previously approved the Plan, if grants or bonus awards designated as qualified performance-based compensation are to be made in the future.

*Grants and Bonus Awards Under the Plan.* No equity grants have been made under the Plan. Grants under the Plan are discretionary, so it currently is not possible to predict the number of shares of Common Stock that will be granted or who will receive grants under the Plan after the Annual Meeting.

**New Plan Benefits**

The following table shows the maximum dollar value of outstanding performance-based cash award opportunities that would have been granted under the Plan had it been in effect in 2006. These amounts represent the maximum dollar value of performance-based award opportunities that could have been paid to each of the executives identified in the table below for the annual performance period that commenced on January 1, 2006. The actual amounts paid to these executives are described in note 1 to the Summary Compensation Table. As of the date of this proxy statement, we have not yet established the maximum dollar value of performance-based cash award opportunities for executives under the plan for the annual performance period commencing on January 1, 2007. We anticipate that these awards will be granted only to the executives identified in the table below:

<i>Name and Position</i>	<i>Aggregate Maximum Dollar Value of Outstanding Award Opportunities</i>
Frank S. Hermance, Chairman of the Board and Chief Executive Officer	\$ 1,120,000
John J. Molinelli, Executive Vice President Chief Financial Officer	353,600
Robert W. Chlebek, President Electronic Instruments	364,000
David A. Zapico, President Electronic Instruments	357,933
Timothy N. Jones, President- Electromechanical Group	294,467

**Federal Income Tax Consequences**

The federal income tax consequences of grants under the Plan will depend on the type of grant. The following is only a general description of the application of federal income tax laws to grants and bonus awards under the Plan. This discussion is intended for the information of stockholders considering how to vote at the Annual Meeting; it is not intended to provide tax guidance to participants, as the consequences may vary with the types of grants or bonus awards made, the identity of the participants and the method of payment or settlement. In addition, the discussion relates to federal income tax laws as in effect on the date of this proxy statement, and these laws are subject to change. The summary does not address the effects of other federal taxes (including possible golden parachute excise taxes) or taxes imposed under state, local, or foreign tax laws.

From the participants' standpoint, as a general rule, ordinary income will be recognized at the time of delivery of shares of Common Stock or payment of cash under the Plan. Future appreciation on shares of Common Stock held beyond the ordinary income recognition event will be taxable as capital gain when the shares of Common Stock are sold. The tax rate applicable to capital gain will depend upon how long the participant holds the shares. Exceptions to these general rules arise under the following circumstances:

(i) If shares of Common Stock, when delivered, are subject to a substantial risk of forfeiture by reason of any employment or performance-related condition, ordinary income taxation and our tax deduction will be delayed until the risk of forfeiture lapses, unless the participant makes a special election to accelerate taxation under Section 83(b) of the Code.

(ii) If an employee exercises a stock option that qualifies as an ISO, no ordinary income will be recognized, and we will not be entitled to any tax deduction, if shares of Common Stock acquired upon exercise of the stock option are held until the later of (A) one year from the date of exercise and (B) two years from the