STANDEX INTERNATIONAL CORP/DE/
Form DEF 14A
September 17, 2008

STANDEX [LOGO]

6 Manor Parkway
Salem, New Hampshire
03079

September 17, 2008

To the Stockholders of Standex International Corporation:

You are cordially invited to attend the Annual Meeting of Stockholders of Standex International Corporation, which will be held at law offices of Foley Hoag, LLP, Seaport World Trade Center West, 155 Seaport Boulevard, 13th Floor, Room M, Boston, Massachusetts 02210, on Tuesday, October 28, 2008 at 11:00 a.m.

We hope that you will be able to attend the meeting. However, whether or not you plan to attend in person, please vote your proxy card promptly, in accordance with the instructions on the card, in order to ensure that your shares will be represented. If you do attend the meeting, you may vote your shares personally.

Pursuant to the procedures governing the meeting, shareholders will be requested to verify their status as stockholders or proxy holders prior to or during meeting attendance.

This booklet includes the Notice of Annual Meeting and the Proxy Statement, which contain information about the formal business to be acted on by the stockholders. In addition, a presentation regarding the operations of your Company, and a question and discussion period, will also take place.

Sincerely,

/s/ Roger L. Fix

Roger L. Fix
President/Chief Executive Officer

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STANDEX [LOGO]

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

The Annual Meeting of Stockholders of Standex International Corporation (the "Company") will be held at the law offices of Foley Hoag, LLP, Seaport World Trade Center West, 155 Seaport Boulevard, 13th Floor, Room M, Boston, Massachusetts 02210, on Tuesday, October 28, 2008, at 11:00 am, local time for the following purposes:

1. To fix the number of directors at nine and to elect one director to hold office for a one-year term ending on the date of the Annual Meeting of Stockholders in 2009 and three directors to hold office for three-year terms ending on the date of the Annual Meeting of Stockholders in 2011;
2. To approve the adoption of the 2008 Long Term Incentive Plan covering 600,000 shares;
3. To ratify the appointment by the Audit Committee of the Board of Directors of Deloitte & Touche LLP as independent auditors of the Company for the fiscal year ending June 30, 2009; and
4. To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

Stockholders of record at the close of business on September 9, 2008 will be entitled to notice of and to vote at the meeting. Pursuant to the procedures governing the meeting, shareholders will be requested to verify their status as stockholders or proxy holders prior to or during meeting attendance.

Please vote by proxy using any one of the following methods:

(a) Use the toll free telephone number shown on your proxy card or voting instructions form (if you receive proxy materials from a broker or a bank);

(b) Visit the Internet Web site at: https://www.proxyvotenow.com/sxi, or follow your broker's instructions relative to Internet voting; or

(c) Mark, date, sign and mail your proxy card in the prepaid envelope provided.

You may also vote in person at the Annual Meeting if you so choose. A ballot will be provided to you if you hold Company shares in your own name. If you hold your shares through a bank or broker, (i.e., in "street name") you must obtain a proxy from your bank or broker to vote the shares at the Annual Meeting.

By Order of the Board of Directors,

/s/ Deborah A. Rosen

Deborah A. Rosen, Secretary

September 17, 2008
Salem, New Hampshire

IMPORTANT

IT IS IMPORTANT THAT YOUR SHARES ARE REPRESENTED AT THE ANNUAL MEETING. ACCORDINGLY, YOU ARE URGED TO COMPLETE, SIGN, DATE AND PROMPTLY RETURN YOUR PROXY IN THE ENCLOSED POSTAGE PAID ENVELOPE OR VOTE YOUR SHARES BY TELEPHONE OR THE INTERNET. IF YOU SO CHOOSE, YOU MAY VOTE YOUR SHARES IN PERSON AT THE ANNUAL MEETING.

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STANDEX INTERNATIONAL CORPORATION

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

October 28, 2008

This Proxy Statement is being furnished on or about September 17, 2008, in connection with the solicitation of proxies by the Board of Directors of Standex International Corporation (the "Company"), for use at the Annual Meeting of Stockholders to be held on Tuesday, October 28, 2008. All proxies will be voted in accordance with the instructions contained therein and, if no choice is specified, will be voted **for** the election of each of the individuals nominated by the Board of Directors and **in favor of** the other proposals set forth in the Notice of Meeting.

A quorum must be present to transact business at the Annual Meeting. A quorum is the majority of the outstanding shares present (in person or by proxy) at the Annual Meeting. The election of Directors will require the affirmative vote of a plurality of the shares of Common Stock voting, in person or by proxy, at the Annual Meeting. The approval of the 2008 Long Term Incentive Plan of the Company, and the ratification of the appointment by the Audit Committee of Deloitte & Touche LLP as independent auditors, will require the affirmative vote of a majority of the shares of Common Stock of the Company voting on the proposal, in person or by proxy, at the Annual Meeting. Stockholders may vote in favor of all nominees for Director, or withhold their votes as to all nominees or withhold their votes as to specific nominees. With respect to the other proposals, stockholders should specify their choice on the enclosed form of proxy.

Abstentions and broker non-votes (i.e. when a broker or bank holding shares in "street name" is present at the meeting in person or by proxy, yet has no authority to vote on a particular proposal because the beneficial owner has not instructed the broker or bank how to vote, and the broker or bank has no discretionary voting power on its own) will be counted for quorum purposes, but will not be counted as votes in favor of any proposal. Accordingly, abstentions and broker non-votes will have no effect on the voting of any matter that requires the affirmative vote of a certain percentage of the shares voting on a matter.

Under New York Stock Exchange ("NYSE") rules, brokers and banks may vote in favor of Proposals 1 and 3 for shares they hold in "street name" on behalf of beneficial owners who have not issued specific voting instructions, since those Proposals are considered routine matters. No discretionary voting authority exists for Proposal 2, for which specific instruction must be given by each beneficial owner.

Any proxy may be revoked at any time before it is exercised by delivery of written notice to the Secretary of the Company or by executing a subsequent proxy.

The Board of Directors has fixed September 9, 2008 as the record date for the determination of stockholders entitled to vote at the Annual Meeting. At the record date, there were outstanding and entitled to vote 12,489,629 shares of the Common Stock of the Company. Each share is entitled to one vote.

All costs of solicitation of proxies will be borne by the Company. In addition to solicitations by mail, the Company's directors and officers, without additional remuneration, may solicit prox-

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ies in person and by telecommunications. Brokers, custodians and fiduciaries will be requested to forward proxy soliciting materials to the owners of stock held in their names, and the Company will reimburse them for their out-of-pocket expenses in this regard.

To assure the presence in person or by proxy of the necessary quorum for holding the meeting, the Company has engaged the firm of Morrow & Co., Inc. to assist in soliciting proxies by mail, telephone, facsimile and personal interview for a fee estimated at approximately $5,000 plus disbursements. The Company pays this expense.

PROPOSAL 1--ELECTION OF DIRECTORS

The persons named in the enclosed proxy will vote to fix the number of directors at nine and to elect as directors Gerald H. Fickenscher for a one-year term expiring in 2009; and Thomas E. Chorman, Roger L. Fix and Daniel B. Hogan for three-year terms expiring in 2011, unless authority to vote for the election of directors is withheld by marking the proxy to that effect. No proxy can be voted for a greater number of persons than the four nominees named below.

On December 13, 2007, Christian Storch, Chief Financial Officer, Treasurer and Director, resigned from the Company and the Board to pursue a job opportunity with a company located in closer proximity to his place of residence. Shareholders are asked to approve a one-year term for Mr. Fickenscher so that the Board may maintain a balanced re-election cycle as mandated by Article III, Section 1 of the Company's By-Laws.

In the event that any nominee for election should become unavailable, the person acting under the proxy may vote for the election of a substitute. Management has no reason to believe that any nominee will become unavailable.

Information about each director and nominee for director at July 31, 2008 follows:

Nominee for Director for a Term Expiring In 2009	Principal Occupation During Past Five Years and Certain Other Directorships
Gerald H. Fickenscher Director Since 2004 Age 65	Vice President - Europe, Middle East and Africa, Crompton Corporation (a specialty chemicals company) from 1994 through September, 2003, when he retired.

Nominees for Directors for Terms Expiring In 2011	Principal Occupation During Past Five Years and Certain Other Directorships
Thomas E. Chorman Director Since 2004 Age 54	Principal and CEO of Foam Partners, LLC (a fabricator of polyurethane foam products) from June, 2006 to thepresent; Partner and President of Boomer Capital (a leadership consulting and career placement service) from June, 2007 to the present; prior thereto, President/Chief Executive Officer of Foamex International, Inc. (a manufacturer of comfort cushioning for the furnishings and automotive markets) from September, 2001 through June, 2006.

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Nominees for Directors for Terms Expiring In 2011	Principal Occupation During Past Five Years and Certain Other Directorships

	During Mr. Chorman's tenure as President/CEO of Foamex, record raw material costs and the maturity of legacy debt forced a voluntary Chapter 11 filing in September, 2005, for U.S. operations in order to facilitate the implementation of restructuring initiatives. On February 12, 2007, Foamex emerged from bankruptcy, paying 100 cents on the dollar to all creditors.
Daniel B. Hogan, J.D., Ph.D. Director Since 1983 Age 65	Executive Director, Passim Folk Music & Cultural Center (a nonprofit arts organization dedicated to the cultivation and preservation of folk music) since January, 2008; Interim Executive Director, Passim Folk Music & Cultural Center, September - December, 2007; Executive Director, Fathers and Families (a nonprofit organization advocating shared parenting) from February, 2006 to July, 2007; Managing Director, Fathers and Families from October, 2003 to January, 2006; President, The Apollo Group (management consultants) from March through October, 2003 and from 1991 through 2001.
Roger L. Fix Director Since 2001 Age 55	Chief Executive Officer of the Company since January, 2003; President of the Company since December, 2001. Director of Flowserve Corporation.

Directors to Continue In Office for Terms Expiring In 2009	Principal Occupations During Past Five Years and Certain Other Directorships
Charles H. Cannon, Jr. Director Since 2004 Age 56	Chairman/CEO, JBT (John Bean Technologies) Corporation (a designer and manufacturer of systems and products for the food technology, military and air transportation industries) since August, 2008; Senior Vice President of FMC Technologies, Inc. (a manufacturer of systems and products for the energy, food processing and air transportation industries) from March 2004 to July, 2008; prior thereto Vice President of FMC Technologies, Inc. from February 2001 through February 2004.
Edward J. Trainor Director Since 1994 Age 68	Chairman of the Board of Directors of the Company since December 2001; prior thereto, Chief Executive Officer of the Company from July 1995 to December, 2002 and President of the Company from July 1994 to December 2001. Director of Mestek, Inc. Director of Omega Flex, Inc. (NASDAQ)

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Directors to Continue in Office for Terms Expiring In 2010	Principal Occupations During Past Five Years and Certain Other Directorships

William R. Fenoglio Director Since 1997 Age 69	President and CEO of Augat, Inc. (a manufacturer of electronic components) from 1994 through 1996. Director of IDG, Inc.
H. Nicholas Muller, Ill, Ph.D. Director Since 1984 Age 69	President and CEO of The Frank Lloyd Wright Foundation (a foundation promoting the work of Frank Lloyd Wright) from May 1996 through March 2002.
Deborah A. Rosen Director Since 2001 Age 53	Chief Legal Officer of the Company since October 2001; Vice President of the Company since July 1999; General Counsel ofthe Company from January 1998 to October 2001; Secretary of the Company since October 1997.

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BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" EACH NOMINEE.

Determination of Independence

In July, 2003, the Board of Directors adopted Corporate Governance Guidelines, which are available under the heading "Corporate Governance" on the Company's web site at www.standex.com. Under these Guidelines, the Board requires that at least a majority of directors be "independent" as defined by the New York Stock Exchange ("NYSE") listing standards. Pursuant to the NYSE standards, the Board annually undertakes an analysis of "independence" as the criteria apply to each director and nominee for director.

The NYSE rules require that, in order to be considered independent, each director or nominee have no material relationship with the Company (either directly or as a partner, shareholder, or officer of an organization that has a relationship with the Company), nor may any director or nominee have any prohibited relationships, such as certain employment relationships with the Company, its independent auditor or another organization in business with the Company.

The Board has affirmatively determined that the following directors are independent: Messrs. Cannon, Chorman, Fenoglio, Fickenscher, Hogan, Muller and Trainor.

In assessing Mr. Hogan's independence, the Board considered that Mr. Hogan is the son of Daniel E. Hogan, who was a co-founder of the Company and served in various capacities with the Company (including terms as President and CEO) through 1985. Daniel E. Hogan served as a consultant to the Company from 1985 until his death in 1991. The Board determined that this familial relationship between Director Daniel B. Hogan, who has never been employed by the Company, and Company co-founder Daniel E. Hogan did not create a relationship between Director Hogan and the Company which in any way compromised the exercise of his disinterested and independent judgment as a director, and thus concluded that he is independent within the meaning of the NYSE rules.

The remaining Board members, Mr. Fix and Ms. Rosen (and Mr. Storch, for the portion of the fiscal year in which he served as director), were determined by the Board not to be independent due to their status as currently employed executives of the Company.

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The Board will continue to monitor all of its members' activities on an ongoing basis to ensure the independence of a majority of the Company's directors.

Certain Relationships and Related Transactions

The Company monitors any transaction between the Company and its directors, executive officers, greater than 5% beneficial owners and their respective immediate family members, where the amount involved exceeds or is expected to exceed $120,000 during the fiscal year. Annual questionnaires inquiring about any potential transaction are completed and submitted to the Chief Legal Officer of the Company. There were no transactions during the fiscal year with any related person, promoter or control person that are required to be disclosed or reported under applicable SEC and NYSE rules.

In addition, the Company's Code of Conduct requires all officers, directors and employees to avoid engaging in any activity that might create a conflict of interest. All individuals are required to report any proposed transaction that might reasonably be perceived as conflicting with the Company's interest to their supervisor and/or the Chief Legal Officer.

STOCK OWNERSHIP IN THE COMPANY

Stock Ownership by Directors, Nominees for Director and Executive Officers

The following table sets forth information regarding beneficial ownership of the Company's Common Stock as of July 31, 2008 of each director, each nominee for re-election, each executive officer named in the Summary Compensation Table and all directors and executive officers of the Company as a group:

	Beneficial Ownership (1)	
Name	No. of Shares	Percent of Outstanding Common Stock
John Abbott	25,029 (2)	**
Charles F. Cannon, Jr.	13,441	**
Thomas E. Chorman	4,741	**
Thomas D. DeByle	6,131	**
William R. Fenoglio	7,300	**
Gerald H. Fickenscher	4,356	**
Roger L. Fix	141,794 (3)	1.1
Daniel B. Hogan, Ph.D.	9,379 (4)	**
James L. Mettling	14,582 (3)	**
H. Nicholas Muller, III, Ph.D.	8,477	**
Deborah A. Rosen	28,566 (3)	**
Christian Storch	29,755 (3)	**
Edward J. Trainor	15,883 (3)	**
All Directors and Executive Officers as a Group (16 Persons)	309,970	2.5

** Less than 1% of outstanding Common Stock.

(1) As used herein, "beneficial ownership" means the sole or shared power to vote, and/or the sole or shared investment power with respect to shares of Common Stock. The directors have sole voting and investment

(footnotes continued on following page)

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power with respect to the shares shown as beneficially owned by them except for 2,000 shares for Mr. Fenoglio, which are jointly held with his spouse. The shares owned by spouses or children of certain directors have not been included because the respective directors have disclaimed beneficial interest in the shares. These shareholdings are: Mr. Hogan's children (4,000).

(2) The number includes 7,800 shares held in a revocable trust, of which Mr. Abbott is the sole trustee. The trust is held for the benefit of Mr. Abbott, his spouse and their children.

(3) The numbers listed include estimates of the shares held in the Employees' Stock Ownership ("ESOP") portion of the Standex Retirement Savings Plan at June 30, 2008, which are vested to the accounts of Messrs. Fix, Mettling, Storch, Trainor and Ms. Rosen. These individuals have voting power over the shares allocated to them in this Plan. The number of ESOP shares included above may differ slightly from the ESOP shares reported on Form 4s and filed with the Securities and Exchange Commission, due to the Company's adoption in April 2002 of unitized accounting for the ESOP, under which each participant is allocated a number of units (comprised of Company shares plus between 0% and 3% of their ESOP investment in cash), rather than a defined number of Company ESOP shares.

The numbers also include the following shares which are capable of being purchased by exercise of stock options or will be converted from restricted stock units into shares of common stock within 60 days of July 31, 2008: Mr. Abbott (2,500); Mr. Fix (32,034); Mr. Mettling (2,423); and Ms. Rosen (12,268).

(4) The number includes a trust holding 2,572 shares, of which Mr. Hogan is a trustee.

Stock Ownership of Certain Beneficial Owners

The table below sets forth each stockholder who, based on public filings, is known to the Company to be the beneficial owner of more than 5% of the Common Stock of the Company as of July 31, 2008.

	Beneficial Ownership	
Name and Address of Beneficial Owner	No. of Shares	Percent of Outstanding Common Stock
Dimensional Fund Advisors LP 1299 Ocean Ave. Santa Monica, CA 90401	898,152 (1)	7.19%

Royce & Associates LLC 1414 Avenue of the Americas New York, NY 10019	725,300 (2)	5.8%
AXA Assurances I. A. R. D. Mutuelle 26, rue Drouot 75009 Paris, France	649,642 (3)	5.2%

(1) Dimensional Fund Advisors LP is an investment advisor registered under Section 203 of the Investment Advisors Act of 1940. Its beneficial ownership is set forth in its most recent statement on Schedule 13G, filed on February 6, 2008 for the period ending December 31, 2007.

(2) Royce & Associates LLP is an investment adviser registered under Section 203 of the Investment Advisers Act of 1940. Its beneficial ownership is set forth in its most recent statement on Schedule 13G/A, filed on January 31, 2008 for the same period.

(3) AXA is an insurance company holding 649,642 shares on behalf of unaffiliated third-party client accounts managed by its subsidiary, Alliance Capital Management L.P., a registered investment adviser.

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EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Operation of Executive Compensation Program

Under its charter, which can be accessed at www.Standex.com, the Compensation Committee of the Board of Directors (the "Committee"), which is comprised of three "independent" directors of the Company, as such term is defined under the applicable rules of the New York Stock Exchange, is responsible for establishing, overseeing, amending and administering the Company's executive compensation program. It is specifically responsible for establishing and approving all elements of the compensation provided to the "named executive officers" of the Company, who for fiscal 2008 are as follows:

Roger L. Fix	President and Chief Executive Officer
Christian Storch	Former Vice President and Chief Financial Officer (Mr. Storch resigned his employment from the Company effective December 13, 2007)
Thomas D. DeByle	Vice President, Chief Financial Officer and Treasurer (Mr. DeByle commenced employment with the Company on March 19, 2008)
Deborah A. Rosen	Vice President, Secretary and Chief Legal Officer
John Abbott	Group Vice President, Food Service Equipment Group
James L. Mettling	Vice President of Human Resources

In fulfilling its role, the Committee is assisted by members of the Company's management, in particular Messrs. Fix and Mettling, and by Watson Wyatt, an independent compensation and benefits consulting firm which has been retained by the Committee to provide executive compensation consulting services. Watson

Wyatt also performs actuarial and related work for the Company, primarily with respect to the Company's defined benefit pension plans.

The Committee is responsible for insuring that the executive compensation program is effective in attracting, retaining and motivating qualified executive talent. In meeting this responsibility, the Committee continuously examines the elements of the program to satisfy itself that those goals are being met. The Committee uses Watson Wyatt's expertise on an ongoing basis to insure that the program is competitive with those of other companies, and that where appropriate, proper benchmarks are used against which to measure the program's competitiveness and effectiveness. The Committee also seeks the view of Messrs. Fix and Mettling with respect to the effectiveness of the program, especially with regard to its motivational effects on the Company's executives.

As a part of its ongoing review of the program, the Committee conducted an effort in fiscal 2007 and the first quarter of fiscal 2008 to determine whether the performance share component of the long-term incentive portion of the program needed to be modified, to provide a more effective longer-term incentive than what had previously been in place. This resulted in a change to the program beginning in fiscal 2008. (See the discussion of the change in the section of this analysis headed "Performance Share Units.") The Committee established stock ownership requirements for the named executives and directors of the Company in fiscal 2006, to insure that those most able to affect the performance of the Company had interests that paralleled those of the Company's shareholders. (See the discussion of these guidelines in the section of this analysis headed "Stock Ownership Guidelines.")

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The Committee is also charged with evaluating the performance of Mr. Fix as chief executive officer, and setting his compensation level. In fulfilling its role, the Committee will consult with Mr. Fix and/or the Board of Directors, and will meet independently to reach its conclusion regarding his performance over the previous year. For fiscal 2008, the Committee used the Survey Data (see below) to determine base salary increases for the named executives, and based on that data and its evaluation of his performance, increased Mr. Fix's base salary by 3.5 percent.

Principles of Executive Compensation Program

The overriding objectives of the executive compensation program are (1) to provide a total compensation package which is at a level sufficient to attract and retain executives of a caliber necessary to manage a dynamic company with a diverse set of businesses that serve different markets and are subject to differing challenges, and (2) to structure the program such that executives will have a strong incentive to meet specific financial and strategic performance goals established by the Committee for each fiscal year, and will specifically have a significant portion of their total compensation tied to the actual performance of the Company.

With respect to the first objective, the Company seeks to provide compensation, both in total and with respect to each of three separate components (base salary, total cash compensation, and total direct compensation), that, at targeted performance levels, approximates the median compensation levels for executives with similar responsibilities at the companies designated as durable goods manufacturing companies in two published surveys provided by Watson Wyatt - (1) Watson Wyatt Data Services Survey Report Top Management Compensation, and (2) Mercer Executive Benchmark Database - Executive Positions (hereinafter, the "Survey Data"). Both surveys include a large number of durable goods manufacturing companies, with the Watson Wyatt survey including over 100 such companies. These surveys were selected because they are comprised of companies generally more representative of the Company than other broad-based surveys that include a higher percentage of companies that are much

larger than the Company. The data from these surveys is "size-adjusted" by Watson Wyatt to reflect the size of the Company, or in the case of executives with primarily business unit rather than corporate responsibilities, the size of the units which they head. The size adjustment is done in accordance with mathematical formulas which are commonly used to permit comparisons among companies of different sizes. In conjunction with Watson Wyatt, the Company has attempted to establish a specific peer group of companies against which to benchmark the elements of its executive compensation program. However, because of the diversity of the business units of the Company and the large number of disparate end user markets served by those business units, the Committee has determined that benchmarking its executive compensation program against the Survey Data is a more relevant and appropriate comparison than benchmarking against any peer group of companies which do not have comparable end user markets and business units, and/or which are generally much larger than the Company. The Committee believes that basing the compensation of each executive on the medians for their positions contained in the Survey Data creates equitable compensation among the executives.

With respect to the second objective noted above, the Company's program is structured to provide (1) base salary, (2) an annual incentive bonus, a portion of which must be used to purchase stock of the Company, which is restricted for a period of three years, and the remainder of which is payable in cash, and (3) an incentive based in part on continuing employment with the Company and in larger part on meeting specific indicators of financial performance over the relevant fiscal year, which consists of time-based restricted stock and a performance share award, which is payable in a number of shares of Company stock based on the Company's performance

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against pre-set performance goals established by the Committee. Such shares are paid in three equal annual installments over a three-year period, provided that the executive remains employed at the time an installment is to be paid. The allocation between cash and equity-based compensation is also structured to approximate the median level as set forth in the Survey Data. The Committee evaluated the performance share component of the long-term incentive program in fiscal 2007 and the first quarter of fiscal 2008, and instituted the current program structure in fiscal 2008. The change and the rationale for it are described in the subsection of this analysis headed "Performance Share Units."

The executive compensation program has been structured by the Committee so that a substantial portion of the target compensation of each named executive for any one year is based on the performance of the Company, and that of the performance-based compensation, over half is payable in shares of Company stock. This reflects the Committee's belief that a significant portion of an executive's compensation should vary depending upon the performance of the Company, and should be payable in Company stock, so as to closely align the interests of executives with those of the Company's shareholders. The Committee also believes that the percentage of an executive's compensation which is based on the performance of the Company and the portion which is stock based should increase as the executive's responsibility and direct ability to affect the performance of the Company increases.

Executives also participate in the same benefit plans as are provided to most salaried employees of the Company except that only a small number of highly-compensated employees (for 2008, those with compensation in excess of $230,000), including the named executives, participate in the Supplemental Retirement Plan (see the section headed "Pension Benefits" on page 29 of this proxy statement) and the non-qualified Deferred Compensation Plan (See the section headed "Standex Deferred Compensation Plan" on page 27 of this proxy statement.) In addition to providing retirement income through defined benefit pension plans, (which have been frozen effective December 31, 2007) and a 401(k) plan, the Company also offers life insurance, medical, dental, and long-term disability benefits. Executives also receive a limited

number of perquisites that are not provided to salaried employees generally. These benefits and perquisites are more fully described in the section of this analysis headed "Perquisites and Other Benefits."

The named executives are covered by employment agreements, which provide for specified severance payments in the event of involuntary termination of employment while the subject agreement is in effect, both before and after a change in control of the Company, and which provide for specified payments in the event of resignation for certain identified reasons following a change in control. A fuller description of the provisions of the employment agreements is contained in the subsection of this analysis entitled "Certain Post-Termination Payments and Employment Agreements."

What follows is a more detailed description of each of the components of the executive compensation program provided to the named executives of the Company.

Elements of Executive Compensation Program

Base Salary

The Company provides a base salary to each of its named executives which is targeted to be at approximately the median of the base salaries noted in the Survey Data, which is reviewed periodically by the Committee prior to making base salary decisions for the next year. While the

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Committee's objective is to provide a level of base compensation that is at the approximate median of the Survey Data, it may vary somewhat from the median where experience, future potential, specific accomplishments, internal equity or other factors deemed relevant by the Committee make some deviation from the median appropriate.

Increases in base salary reflect the Company's overall wage increase budget, which is based upon the rate of increases throughout the broad range of durable goods manufacturing companies which comprise the Survey Data. For fiscal year 2008, increases of 3.5 percent were granted to most executives of the Company. Any amounts greater than that were granted based either on Survey Data which indicated that a particular executive's base salary was below the median, or were the result of changes in the duties or experience level of an executive that were significant enough to merit an adjustment.

The Committee has not generally used base salary as a principal method of rewarding executives for their performance. The Committee believes that its performance-based incentive compensation program provides executives with the opportunity for substantial rewards for achieving goals that are indicators of successful performance, and have tended to rely more on those programs than on base salary adjustments to reward executives for their individual performance. As discussed below under "Annual Incentive Compensation," executives who head corporate functions will, beginning in fiscal 2009, have a portion of their annual incentive bonuses tied to meeting pre-determined strategic objectives for the functions which they head, rather than the performance of the Company as a whole, which will have the effect of more closely tying their annual incentive bonuses to their individual performances. The Committee may establish the base salary of an executive who is new in his or her position at a level below the median of the base salary level for that position, as noted in the Survey Data, and increase it to median levels over time, as the executive achieves expectations and gains experience in the position.

Increases in base salary are generally approved at the August meeting of the Committee.

Annual Incentive Bonus

Executives may receive annual bonuses, based upon the financial and strategic performance of the Company (or the business unit headed by an executive whose primary responsibilities are at the divisional rather than the corporate level) during a particular fiscal year, measured against a set of financial and strategic goals established by the Committee at the beginning of the fiscal year. Each year, a percentage of the executive's base salary is set by the Committee as a target bonus amount. The target amount approximates the median annual bonus target amount reflected in the Survey Data. For fiscal 2008, the target bonus amount for Mr. Fix was set at 75 percent of his base salary, while for the other named executives, excluding Mr. Mettling, the target was 50 percent of base salary. Mr. Mettling's target was 30 percent of his base salary. The same targets have been set for fiscal 2009.

The financial and strategic performance goals used to determine the amount, if any, of annual incentive bonus are approved by the Committee, working in close conjunction with management. They are set using what the Company calls a "Balanced Performance Plan," or "BPP" process. Under this process, management and the Committee determine at the beginning of each fiscal year the key financial and strategic goals of the Company (or a division of the Company, where applicable) for the year. The percentage of target bonus that an executive actually receives depends upon the performance of the Company or relevant division when measured against these goals.

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In recent years, including fiscal 2008, three financial and four strategic goals have been established, and a portion of the target bonus is attributable to each goal. For fiscal 2008, the financial goals for corporate executives were the achievement by the Company of targeted levels of (1) annual sales, (2) diluted earnings per share, and (3) cash flow from continuing operations. While these three goals were unchanged from those of the previous year, the Committee, before approving them, made a specific determination that they represent financial objectives that correlate to the creation of shareholder value.

The strategic goals established by the Committee for fiscal 2008 for corporate executives were (1) deleveraging the Company's balance sheet by achieving a funded debt/EBITDA ratio of 3.0 or less by June 30, 2008, (2) the implementation of a measureable set of "lean manufacturing" improvements, (3) the development of an engineering and purchasing infrastructure sufficient to create sustainable strategic sourcing that will enable the delivery of consistent cost reductions, and will result in measureable procurement cost savings of a least $4 million in fiscal 2008, and (4) the successful conversion of the Company's salaried defined benefit pension plan to a competitive and more cost-effective defined contribution plan in fiscal 2008.

As part of establishing appropriate financial and strategic goals, the Committee determines what percentage of the target bonus to allocate to the attainment of the financial goals, and what percentage to the strategic goals. The Committee determined that for fiscal 2008, 60 percent of an executive's target bonus should be tied to the achievement of the financial performance goals, and 40 percent should be tied to meeting the strategic goals. If actual financial performance varies from the targeted goals, the executive's bonus will vary up or down from the target amount. In no event will the amount of the bonus attributable to meeting the strategic goals exceed the target amount. This weighting is a reflection of the balance that the Committee considered appropriate between the achievement of specific one-year financial goals and the satisfaction during the year of objectives that are tied to the longer-term success of the Company. The balance is consistent with what has been in place in recent years, and reflects the Committee's conclusion that this balance remains correct, when the entire executive compensation program is considered.

In differentiating among the three financial performance goals, the Committee determined that achieving a specified level of earnings per share was the most important financial objective, and allocated

25 percent of the target bonus to that objective. 15 percent was then allocated to sales, the increase of which is deemed very important as the Company attempts to improve its market penetration in several of its business segments, including in particular the Food Service Equipment Group, to reach a "critical mass" that is important to its long-term success. 20 percent of the target bonus was allocated to achieving a specified level of operating cash flow, an important goal as the Company attempts to manage its financial resources to enhance its growth capability. These three financial performance goals are the same as those used in fiscal 2007. However, the weighting was changed for fiscal 2008, such that revenue growth was weighted at 15 percent rather than the 20 percent used in fiscal 2007, and the operating cash flow goal was increased to 20 percent from the 15 percent figure used in fiscal 2007. The change reflects the Committee's determination that improved cash flow was critical to reducing the Company's debt level, an objective which is important to the Company's future ability to achieve growth through acquisitions. Among the four strategic goals, the Committee weighted each equally, as all were deemed to have the same long-term impact on the Company's success. The Committee has established the same weighting for fiscal 2009 as it used in fiscal 2008.

Having established a target bonus for each executive, and the performance goals to be reached for the targeted bonus amount to be paid, the Committee then determined "threshold,"

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"target" and "superior" performance levels for the financial goals for minimum, target and maximum bonus amounts, respectively, to be paid. For each executive, the threshold bonus amount was set at 50 percent of the target bonus amount, and the superior bonus amount was set at 183 percent of the target bonus amount. The Committee has determined that the strategic goals do not lend themselves as well to threshold and superior targets, but has retained the ability to grant partial credit for any strategic goal, if the goal is partially met, and the Committee concludes that granting partial credit is appropriate under the circumstances. No amount greater than the target amount shall be paid with respect to any of the strategic goals.

For fiscal 2008, the threshold, target and superior performance goals for each of the financial objectives set out in the corporate BPP were as set forth below, along with the actual result for each of the goals.

PERFORMANCE LEVELS

Goal	Weighting	Threshold	Target	Superior	Actual Results
Achieve $677.7 Million in actual sales	15%	$650 M	$677.7 M	$700 M	$698 M
Achieve $1.30/share Diluted Earnings from Continuing Operations	25%	$1.20	$1.30	$1.40	$1.55
Achieve Operating Cash Flow of $37.2 Million from Continuing Operations	20%	$34 M	$37.2 M	$39.0 M	$51.9 M

Two of the strategic goals were fully met. Two other strategic goals, the implementation of a measureable set of lean manufacturing improvements, and the establishment of a purchasing structure capable of delivering a consistent set of procurement savings, were determined by the Committee to have

been 80% and 90% met, respectively.

Based upon the foregoing, the total performance under the BPP governing corporate executives equaled 146 percent of the performance target. This has resulted in the following annual executive bonuses: Mr. Fix - $758,862; Ms. Rosen - $206,339; and Mr. Mettling - $91,436. Because Mr. DeByle first became employed by the Company after almost 75 percent of the fiscal year had elapsed, he did not participate in the annual incentive bonus program for fiscal 2008. However, in light of efforts made by Mr. DeByle to integrate himself quickly into the operations of the Company, the implementation of measures having a tangible benefit to the Company in the first few months of his employment, and a guarantee in his written offer of employment of a minimum bonus of $50,000 for fiscal 2008, the Committee, acting upon the recommendation of Mr. Fix, awarded him a discretionary bonus payment of $100,000 for fiscal 2008.

The BPP process for divisional executives is the same as that for corporate executives, except that the financial and strategic goals established for them are tied directly to the objectives of the divisions which they head. Those objectives generally parallel the goals established for corporate executives. For fiscal 2008, the financial goals set for the Food Service Equipment Group, which the bonus for Mr. Abbott was based upon, were the achievement of specified threshold, target and

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superior performance levels of annual sales ($350, $365 and $375 million, respectively), earnings before interest and taxes, or EBIT ($25, $27.5 and $29.5 million, respectively), and operating cash flow ($30, $32 and $37 million, respectively). The strategic goals for the Group, all of which were weighted equally, were achieving $3 million of raw material cost savings, the full implementation of key business systems at two of the Group's major business units, an improvement in the Group's working capital turns of at least 10 percent from 2007 levels, and an improvement of at least $2.6 million in the operating earnings of one of the major units in the Group, which had performed at substandard levels in fiscal 2007. For fiscal 2008, sales for the Food Service Equipment Group were $381.2 million (183 percent of target), EBIT was $31.1 million (183 percent of target), and operating cash flow was $43.1 million (183 percent of target). All of the strategic objectives were fully met, resulting in a total performance which equaled 150 percent of the total performance target. This resulted in an annual incentive bonus of $244,500 for Mr. Abbott.

For fiscal 2009, the Committee has maintained the same 60% financial performance/40% strategic performance ratio that was in place for fiscal 2008. The financial performance goals and the weighting given to each will be the same in fiscal 2009 as in fiscal 2008, as the Committee has determined that the financial performance goals of the Company will continue to be driven by the same financial performance factors as were applicable in fiscal 2008.

The Committee has made a change in the strategic performance goals for fiscal 2009 for those named executives who head corporate staff functions. Separate strategic goals will be established for each of those executives, which will be tied to the performance of the functional units which they head, and which support the strategic goals of the Company. The strategic goals for the Chief Executive Officer will be tied to the strategic goals of the Company, and the strategic goals for the heads of operating business units of the Company (such as Mr. Abbott, the Group Vice President, Food Service Equipment Group) will be tied to the strategic goals of that business unit. For the Chief Executive Officer, the strategic goals for fiscal 2009, all of which will be given equal weighting, are based upon 1) the expansion of the Company's presence in the Asia/Pacific region, 2) the design of a new key management development program, 3) making further progress in the development of a purchasing infrastructure that results in measurable ongoing savings in procurement costs, and 4) the successful and timely completion of restructuring activities that have been targeted for fiscal 2009.

Decisions regarding target financial performance levels are directly tied to the fiscal year budget that is reviewed and approved by the Board of Directors. Threshold and superior performance targets are then determined by the Committee based upon the target amounts. In establishing the threshold and superior performance levels, the Committee sets the threshold performance level high enough so that achieving it is by no means guaranteed and sets the superior performance level high enough so that achieving it is difficult and would represent an outstanding accomplishment, if met. The determination of whether these considerations have been met is made after discussions between the Committee and Mr. Fix, and after the Board of Directors has reviewed in detail the results for the previous year and has discussed and adopted the budget for the upcoming year. The competitiveness of these broad parameters is reviewed from time to time with Watson Wyatt. The Committee adjusts the financial results for bonus determination purposes to exclude any discontinued operations and to reflect any changes in accounting principles that were not factored into the original financial forecasts for the fiscal year.

The establishment of the performance goals through the BPP process generally takes place over two meetings of the Committee, the first being the July meeting, which coincides with the meeting of the Board of Directors at which the Company's preliminary results for the previous

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year are reviewed and discussed, and its forecast for the upcoming year is presented. The Committee then conducts an additional review of the proposed BPP for the upcoming year at a second meeting generally held in late August, immediately after the financial results for the prior year are finalized. This two-step process provides the Committee with an ample opportunity to conduct a deliberative and interactive process that results in the establishment of goals that it is confident correlate to the overall objectives set for the Company for the upcoming fiscal year.

At its August meeting, the Committee determines the extent to which the financial and strategic goals of the Company for the previous year were met, and establishes the amount of bonus to be paid. It is the present policy of the Committee not to use discretion in determining the amount of a named executive's annual bonus, but to pay the amount determined in accordance with the BPP formula.

Deferral of Annual Incentive Bonus

Because of the Committee's belief that attainment of the performance targets by the Company's senior executives correlates over the longer term to the equity performance of the Company, and for the additional purpose of retention, at least 20 percent of the dollar amount of an executive's annual incentive bonus payment must be used to purchase restricted stock pursuant to the Management Stock Purchase Program ("MSPP"). Executives may elect to use up to 50 percent of their annual bonus payment to acquire such stock. While the annual bonus is designed primarily to motivate an executive to meet annual performance goals established under the BPP process, the stock purchase requirement adds a long-term motivational component to the bonus, which the Committee believes is important in insuring that all elements of the performance-based part of the executive compensation program are focused on the longer-term interests of the Company's shareholders. The specific provisions of the MSPP are set forth under "Estimated Payouts - Non-Equity incentive Plans" under "2008 Grants of Plan-Based Awards" beginning on page 23 of this proxy statement. For fiscal 2008, the named executives elected to use the following percentages of their base salaries to purchase shares under the MSPP - Mr. Fix, 25%; Ms. Rosen, 20%; Mr. Abbott, 50%, and Mr. Mettling, 30%. Since Mr. Storch voluntarily terminated employment in December, 2007, prior to the vesting date of the MSPP shares, he was reimbursed the cash he had deferred for MSPP purchase in prior fiscal years. The total deferred was $130,113. Mr. DeByle's participation in the MSPP will commence in fiscal 2009.

Long Term Incentive Program

Executives are provided with incentives to remain in the employ of the Company and to improve its longer-term stock and financial performance, through the granting of annual equity-based awards. The total value of an award is determined in accordance with the medians for such awards as reflected in the Survey Data. The total value of the award for each named executive for fiscal 2008 is shown under "Estimated Future Payouts Under Equity Incentive Plan Awards" on page 23 of this proxy statement. The long-term incentive component of the program provides equity, rather than cash awards, both because of the Survey Data and because of the Committee's belief that a significant portion of an executive's total compensation package should be tied directly to the longer-term interests of the shareholders of the Company. Awards are generally approved at the August meeting of the Committee, and are considered granted as of the close of business on the date of approval. The amount of the award is not affected by any amounts received under prior awards. Because the awards are equity-based, however, the number of shares or units awarded will decrease as the stock price increases, and vice versa.

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From 2004 through 2007, the program provided for two types of long-term awards - (1) time-based restricted stock (stock options were granted prior to 2004), and (2) performance share units, which are converted to shares of stock after a three-year performance period, with the actual number of shares received by an executive dependent upon the meeting by the Company of specific performance goals which the Committee determines correlate to the longer-term financial success of the Company over the performance period, relative to the performance target established by the Committee at the beginning of the period. Beginning in fiscal 2008, the performance share units will be converted to shares of stock after a one-year performance period, but any shares actually earned will be delivered in three equal annual installments, provided that the executive remains in the employ of the Company at the time the shares are to be delivered. The time-based restricted stock component of the program remains in place. For fiscal 2008, 67 percent of the Chief Executive Officer's total long-term incentive award was made in performance share units, and 60 percent of the award made to the other named executives was made in performance share units. This reflects the Committee's determination that the portion of an executive's compensation which is directly tied to the meeting of performance goals should be higher for those executives in the strongest position to impact actual performance. In addition, the Committee increased Mr. Fix's target long term incentive award from 110% to 125% of his base salary in fiscal 2008. The change was made after a review by the Committee, with the assistance of Watson Wyatt, of the Survey Data as it relates to long-term incentive compensation. The grant date fair value of both the restricted stock and performance share units is determined by multiplying the closing stock price of the Company on the award date by the number of shares awarded. For fiscal 2009, the Committee, after reviewing the Survey Data and with the assistance of Watson, Wyatt, established Mr. DeByle's long-term incentive award at 70% of his base salary and increased Mr. Abbott's award from 70% to 85% of base salary. What follows is a description of each of the two types of awards, and the Committee's purpose in granting them.

Restricted Stock

The time-based restricted stock awarded to an executive will vest after three years have elapsed from the grant date, provided that the executive continues to be employed by the Company at the end of the three-year period (unless termination of employment is due to death, disability or retirement, in which case vesting will take place upon the occurrence of such event). The primary purpose of the grant of restricted stock is to motivate the executive to remain employed in his or her position over the longer term. Dividends on the restricted stock are accrued over the three-year vesting period, and are paid in cash immediately upon full vesting.

Performance Share Units

The Committee has structured the performance share unit component of the long term incentive program to motivate senior management of the Company to meet specific financial targets measured over a one-year period. These targets are consistent with the Company's strategy, impact the long term financial performance of the Company and support the creation of shareholder value. Given that the Company serves customers in over 12 end user markets in over 30 countries, the Committee has selected a one-year rather than a multi-year measurement period in order to be able to establish financial goals for the performance shares that are consistent with the relevant market conditions and business issues that the Company faces in the near term and that at the same time will have a direct impact on the Company's long- term financial performance.

Under the current program, performance share units are granted on an annual basis, at which time the Committee establishes specific financial targets to be used in determining if and

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how many shares will actually be earned by senior executives under the grant. The number of shares earned under any grant is determined at the end of a one-year measurement period by evaluating the performance of the Company against the financial targets set by the Committee. Shares earned are then vested in three equal annual increments beginning at the end of the one-year measurement period and at the first and second anniversaries of that date. Executives will receive a particular installment only if they continue to be employed by the Company at the time the installment vests.

The performance metrics selected by the Committee were chosen after an analysis by Watson Wyatt and management regarding how various performance metrics allowed for under the terms of the Long Term Incentive Plan would support the creation of shareholder value and be consistent with the execution of the Company's long term strategy. The Long Term Incentive Plan allows for the use of one or more of the following or related measures - sales; reported earnings; earnings per share; earnings from continuing operations; earnings either before or after specific items set forth in the Company's income statement, such as interest, taxes and/or depreciation; cash flow; return on equity, capital and/or operating assets and/or investment; gross or net profit margin, and working capital.

For fiscal year 2008, the Committee established performance goals using a combination of EBITDA (earnings before interest, taxes, depreciation and amortization) and average return on operating assets (determined by averaging return on operating assets at the beginning and end of the fiscal year.) It was determined that success in meeting or exceeding these measures would correlate closely to the Company's ability to execute its strategic objectives, key elements of which are to complete bolt-on acquisitions that will help accelerate the growth of the Company's core businesses and to make capital expenditure investments that drive organic growth and improvements in profit margins. The Committee selected EBITDA because of its correlation to cash flow generation, which is critical to the Company's ability to complete acquisitions, invest in its core businesses and to continue to return cash to shareholders in the form of dividends. The Committee selected average return on operating assets as a second performance measure, because it is a way of determining whether the Company has invested the earnings of the business so as to best optimize the Company's return on assets.

In selecting the performance goals, the Committee sought not to duplicate the criteria used to determine the amount of an executive's annual incentive bonus, but to use financial criteria that correlate more specifically to the longer-term strategic objectives of the Company. The Committee determined that the criteria selected for fiscal 2008 are closely tied to the Company's overall liquidity, the improvement of which it regards as critical to the growth objectives of the Company. The Committee further determined

that two-thirds of the performance measure is to be based on EBITDA growth and one-third on return on operating assets. Based on their analysis of the correlation between certain financial metrics and overall financial performance, Watson Wyatt and management confirmed that these two metrics generally correlated to successful longer-term financial performance at least as well as other measures that were examined.

The number of performance share units granted to an executive will be converted to stock of the Company at the end of the performance period on a one-for-one basis, if the performance targets are exactly met. If actual performance is higher or lower than the target, the conversion rate will range from 10 percent of the target award if threshold performance is met, to double the target, if the superior performance level is achieved. In no event will any shares of stock be delivered if the targets do not reach the threshold level set by the Committee, nor will a greater number of shares than the maximum be delivered if the "superior" performance target is exceeded. For the fiscal

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2008 performance period, the threshold, target and superior performance goals for each of the two performance measures were as set out below, along with the actual result for each of the goals.

PERFORMANCE LEVELS

Goal	Weighting	Threshold	Target	Superior	Actual Results
Achieve EBITDA of $53 Million	66 2/3%	$51 M	$53 M	$55 M	$56.363 M
Achieve Average Return on Operating Assets of 20%	33 1/3%	18.8%	20.9%	22%	22.8%

As a result of achieving the superior performance level for fiscal 2008, executives will be entitled to a distribution of shares equal to twice the number of performance share units granted to them. One-third of those shares will be distributed to executives who were employed at the end of fiscal 2008. The remaining two-thirds will be distributed to them in equal installments as of the ends of fiscal 2009 and 2010, provided that they remain employed by the Company on those dates. No payout of performance share units awarded in fiscal 2006 (the number of performance share units granted in fiscal 2006 was 42,700) was made for the three-year performance period ended June 30, 2008, because the Company's earnings per share in fiscal 2008 did not reach the threshold level of $1.71 required for a minimum payout. The performance period for performance share units granted in fiscal 2007 (the number of performance share units granted in fiscal 2007 was 39,300) will end on June 30, 2009. It is not presently anticipated that the threshold performance level for the period ended June 30, 2009 will be met. It is the present policy of the Committee not to exercise any discretion with respect to the amounts payable, but to pay the amount determined in accordance with the formula. The Committee has determined that with respect to performance share units granted for the one-year performance period commencing on July 1, 2008, the same two metrics as were used for fiscal 2008 will be used, in the same two-thirds to one-third ratio. The Committee has determined that those two metrics continue to be appropriate indicators of the Company's longer-term success.

Perquisites and Other Benefits

The Company provides a limited number of perquisites to its named executives, other than Mr. Mettling, which are designed to be competitive and assist in the attraction and retention of highly qualified executives, and also to facilitate the performance of the executive's responsibilities. The perquisites consist of a car allowance, and reimbursement of the cost of automobile operating expenses, including the cost of gasoline, auto insurance, and repairs. Mr. Fix is reimbursed for tax return preparation, out of a desire to minimize his time spent on managing his personal financial affairs. The Company owns no aircraft, nor do its executives generally fly on private aircraft for business purposes. The Company does not provide any country club or other club memberships to its executives, nor does it provide executive physical examinations.

Executives participate in the same employee benefit plans and arrangements as do nearly all salaried employees of the Company. Such plans and arrangements include a defined benefit pension plan (which has been frozen as of December 31, 2007), a 401(k) plan with a Company

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match of up to three percent of an employee's base salary up to the IRS compensation limit and additional Company contributions equal to a percentage of an employee's base salary, with the exact percentage based in part on the employee's age (these additional contributions are designed to make employees partially whole for the inability to accrue additional benefits under the frozen defined benefit pension plan). In addition, the Company provides medical, dental, life insurance and long-term disability arrangements that are similar to those provided by similarly-situated companies, and which provide for cost sharing between employees and the Company.

The Company has a supplemental defined benefit pension plan to provide unfunded, non-qualified pension benefits to executives whose compensation exceeds the maximum permitted by the IRS to be taken into account under a tax-qualified deferred benefit pension plan ($230,000 in 2008). That plan was also frozen effective December 31, 2007. Because of their compensation levels, most employees will not qualify for benefits under this plan. The total pension to be received from both the tax-qualified and non-qualified defined benefit plans is determined under a formula that is the same for all plan participants, including all of the named executives.

As part of the freezing of accruals under the defined benefit pension plan, the Company has established as of January 1, 2008, a non-qualified deferred compensation plan which is designed to meet two goals. First, it will allow participants whose compensation exceeds the IRS limits permitted to be taken into account under a tax-qualified 401(k) plan ($230,000 in 2008) to make tax-deferred contributions and receive Company matching contributions as if the non-discrimination limitations which apply to tax-qualified 401(k) plans did not exist. The percentage of an employee's compensation which will be matched under the non-qualified deferred compensation plan is the same as the percentage of compensation which will be matched under the tax-qualified 401(k) plan. In addition, employees eligible to participate in the non-qualified deferred compensation plan because their base salary and annual incentive compensation exceeds the IRS limit described previously ($230,000 in 2008) may defer additional amounts of their base salaries and annual incentive bonuses under the plan. In no event, however, can the total amount deferred in any one year exceed 50 percent of base salary and 100 percent of the annual bonus paid under the plan. The purpose of these changes is to allow individuals to at least partially make up from the Company's defined contribution plan for the loss of future accruals under the frozen defined benefit plans.

Employment Agreements

The Company has entered into employment agreements with each of the named executives. Under those agreements, the executives shall be employed for three-year periods in the case of Mr. Fix and Ms. Rosen,

and one year in the case of Messrs. DeByle, Abbott and Mettling. The length of the agreements is based upon the Committee's assessment of appropriate terms to attract and retain qualified executive talent. The agreement for Mr. Fix will renew automatically for two additional three-year periods, except that either party may give 30 days' notice of its desire to terminate the agreement. The agreement for Ms. Rosen expires on December 31, 2008. The agreements for Messrs. DeByle, Abbott and Mettling will renew automatically for successive one-year periods, except that either party may give 30 days of its desire to terminate the agreement. In the event of involuntary termination for a reason other than death, disability or material breach of the agreement, Mr. Fix will receive base salary continuation for two years, Messrs. DeByle, Abbott and Mettling will receive base salary continuation for one year and Ms. Rosen's base salary will continue through the expiration date of the agreement. A detailed description of additional terms of the agreements can be found under "Certain Post-Termination Payments and Employment Agreements" on page 30 of this proxy statement.

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Each agreement contains a non-compete provision which precludes the executive from competing against the Company for two years after the agreement is terminated, regardless of the reason for the termination. Such a provision is considered by the Committee to be a benefit to the Company, because it insures that those who know the most about the Company, its businesses and the markets that it serves cannot use that knowledge to adversely impact the Company after their employment ends.

In the event of a change in control, the agreements further provide for the payment of severance and other benefits in the event the executive's employment is terminated, or the executive resigns for certain specified reasons, in either case following a change in control. Upon such a termination or resignation, severance for Messrs. Fix and DeByle and Ms. Rosen will be based upon three additional years of salary and bonus while the amount for Messrs. Abbott and Mettling will be based upon one additional year. The amounts reflect the determination of the Committee at the time the agreements were entered into of what was apparently to insure that executives involved in negotiating and completing any change in control transaction will act in the best interest of shareholders, without regard to the personal dislocation that they would likely face as a result of the transaction. These amounts are paid only upon termination or resignation following a change in control and not upon the change in control itself. The Committee sees no reason for the change in control event itself to trigger any right to additional compensation or enefits, if the executive's employment status is not impacted by the change in control.

Tax and Accounting Aspects of Compensation

The tax deductibility by a corporation of compensation in excess of $1 million paid to the named executives is limited by Section 162(m) of the Internal Revenue Code. "Performance-based" compensation, as defined in the Code, may be excluded from the $1 million limit if, among other requirements, the compensation is payable only upon attainment of pre-established, objective performance goals set out in writing within 90 days after the beginning of the plan year to which the goals apply (within the first 25 percent of the performance period, in the case of performance periods longer or shorter than 12 months in duration), and if the compensation is paid under a plan approved by shareholders. The Company's 1998 Long Term Incentive Plan, under which the annual incentive bonus and performance share units are awarded, has been approved by shareholders, most recently upon its amendment in 2005. The Company is seeking approval from shareholders at this Annual Meeting of Shareholders of a new 2008 Long Term Incentive Plan to replace the 1998 Plan, which expires on the date of this Annual Meeting.

The Company does not have a specific policy regarding compliance with Section 162(m), and the Committee may choose to forego the deductions on occasion if it determines such action to be in the best

business interest of the Company. Notwithstanding the absence of a specific policy, the Committee's intent in fiscal 2008 was to structure the executive compensation program so that all compensation would be deductible. The Committee believes that base salary and grants of time-based restricted stock do not qualify as "performance-based" compensation, and are thus included in "compensation," for purposes of determining whether the Section 162(m) cap has been exceeded. However, the Committee has intended to structure the annual incentive bonus and the performance share component of the long-term incentive program so that they meet the definition of "performance based" compensation.

The American Jobs Creation Act of 2004 amended the tax rules applying to nonqualified deferred compensation. The Company has established a separate nonqualified deferred compensation plan, effective January 1, 2008, and has certain other plans and arrangements that do require

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the making of technical amendments in order to comply with that statute. The Company believes it is operating in compliance with the new law, as required, and will make any amendments required to be made to any plan and other arrangements by the required due date for such changes.

The Company has not historically had a formal policy in place as to how to handle the recovery of bonus payments attributable to financial restatements that result in a downward revision to earnings. However, the 2008 Long Term Incentive Plan, as adopted by the Board of Directors, and submitted to shareholders for approval at this year's Annual Meeting of Shareholders, contains a provision which will authorize the Board of Directors to recover excess incentive compensation paid under the Plan to the Chief Executive Officer, the Chief Financial Officer, and other executives of the Company, in the event that the Company's financial results for any reporting period are required to be restated downward due to misconduct, as determined by the Board of Directors, on the part of such officers. The Committee has examined this issue as part of its review of the provisions of the new plan, and has determined that it is inappropriate for those officers to profit in any way from incentive compensation paid to them only because of reported financial results which are required under the federal securities laws to be restated as a result of misconduct on their part.

Effective upon the adoption of the accounting standard called SFAS No. 123R on January 1, 2006, the Company has recognized compensation expense for all equity awards in accordance with the principles set forth in that accounting standard. In determining whether to offer a particular form of compensation to executives, the Committee takes into account the accounting implications associated with that form of compensation.

Stock Ownership Guidelines

During fiscal year 2006, the Committee adopted stock ownership guidelines for the named executives, out of a belief that those individuals should have at least a minimum level of stock ownership to align their interests with those of the Company's shareholders. Under the guidelines, Mr. Fix is required to own stock equal to at least three times his base salary, and the other named executives will be required to own stock equal to at least 1.5 times their base salaries. Stock owned outright and unvested restricted stock are considered owned by the executive. Any unexercised stock options are not considered owned. To determine whether the guidelines are met, shares owned will have a deemed value determined from time to time by the Committee (presently $27.50 per share). No shares acquired through grants of restricted stock or stock acquired through performance share units may be sold or otherwise disposed of until the guidelines have been met, or until the executive reaches 60 years of age, except to pay taxes arising in connection with the receipt of the stock. The Committee monitors compliance with the stock ownership requirements on an ongoing basis, and the named executives are presently in compliance with the requirements.

REPORT OF THE COMPENSATION COMMITTEE