ESCO TECHNOLOGIES INC
Form DEF 14A
December 22, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C., 20549

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 [X]

Filed by a party other than the registrant [ ]

Check the appropriate box:

[ ] Preliminary proxy statement

[X] Definitive proxy statement

[ ] Definitive additional materials

[ ] Soliciting material pursuant to Rule 14a-12

[ ] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

ESCO TECHNOLOGIES INC.

(Name of Registrant as Specified in Its Charter)

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

Payment of filing fee (Check the appropriate box):

[X] 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:

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

[ ] Fee paid previously with preliminary materials.

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

(1) Amount previously paid:

(2) Form, schedule or registration statement no.:

(3) Filing party:

(4) Date filed:

NOTICE OF THE ANNUAL MEETING OF

THE STOCKHOLDERS OF

ESCO TECHNOLOGIES INC.

St. Louis, Missouri
December 22, 2010

TO THE STOCKHOLDERS OF
ESCO TECHNOLOGIES INC.:

The Annual Meeting of the Stockholders of ESCO Technologies Inc. will be held at the Company s headquarters located at 9900A Clayton Road, St. Louis County, Missouri 63124 on Thursday, February 3, 2011, commencing at 9:30 A.M. central time, at which meeting only holders of record of the Company s common stock at the close of business on December 3, 2010 will be entitled to vote, for the following purposes:

1. To elect as directors the three nominees named in the attached proxy statement, to serve for a term expiring in 2014;

2. To vote on a proposal to ratify the Company s appointment of KPMG LLP as the Company s independent registered public accounting firm for the fiscal year ending September 30, 2011;

3. To cast an advisory vote on executive compensation;

4. To cast an advisory vote to determine the frequency of future advisory votes on executive compensation; and

5. To transact such other and further business, if any, as lawfully may be brought before the meeting and any adjournment or postponement thereof.

The Company has mailed to Stockholders a separate notice (dated December 22, 2010) of Internet availability of the proxy materials containing instructions on how to access the proxy materials and vote electronically via the Internet, by phone, by mail or in person. A paper or e-mail copy of the proxy materials may be requested using one of the methods described in that separate notice.

ESCO TECHNOLOGIES INC.

BY

Chairman, Chief Executive
Officer and President

Secretary

Even though you may plan to attend the meeting in person, please vote electronically via the Internet or by telephone (toll-free 1-866-265-2401), or, if you requested paper or e-mail copies of the proxy materials, please complete, sign, date and return the proxy card.

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ESCO TECHNOLOGIES INC.

9900A Clayton Road, St. Louis, Missouri 63124

PROXY STATEMENT

FOR THE ANNUAL MEETING OF THE STOCKHOLDERS TO BE HELD FEBRUARY 3, 2011

This proxy statement is furnished to the holders of all of the issued and outstanding shares of common stock (the Common Shares) of ESCO Technologies Inc. (the Company) in connection with the solicitation of proxies for use in connection with the Annual Meeting of the Stockholders to be held February 3, 2011, and all adjournments thereof, for the purposes set forth in the accompanying Notice of the Annual Meeting of the Stockholders. Such holders are hereinafter referred to as the Stockholders . The Company is first providing access to these proxy materials, including the form of proxy, to Stockholders on or about December 22, 2010.

Whether or not you expect to be present in person at the meeting, please submit your vote in advance using one of the voting methods described in the separate notice sent to all Stockholders and dated December 22, 2010. In voting, you have several choices:

You may vote on each proposal, in which case the Common Shares will be voted in accordance with your choices.

You may, when appropriate, indicate a preference to abstain on any proposal, which will have the effect described in VOTING on page 34.

You may return a properly executed proxy form without indicating your preferences, in which case the proxies will vote the Common Shares as follows: (1) FOR election of the directors nominated by the Board of Directors, (2) FOR the proposal to ratify the Company s appointment of KPMG LLP as the Company s independent registered public accounting firm for the fiscal year ending September 30, 2011, (3) FOR the advisory approval of the executive compensation as disclosed in this proxy statement, (4) FOR every three years on Proposal 4; and (5) in the proxy holder s discretion on such other business as may properly come before the meeting.

Any person giving such proxy has the right to revoke it at any time before it is voted by giving written notice of revocation to the Secretary of the Company, by duly executing and delivering a proxy bearing a later date, or by attending the Annual Meeting and casting a contrary vote in person.

The close of business on December 3, 2010 was fixed as the record date for the determination of the Stockholders entitled to vote at the Annual Meeting of the Stockholders. As of the record date, 26,554,161 Common Shares were outstanding and entitled to be voted at such meeting. The Stockholders will be entitled to cast one vote for each Common Share held of record on the record date. There is no cumulative voting with respect to the election of directors.

A copy of the Company s Annual Report to Stockholders for the fiscal year ended September 30, 2010 is available for review at www.escotechnologies.com.

The solicitation of this proxy is made by the Board of Directors of the Company. The solicitation will be by mail and via the Internet, and the expense thereof will be paid by the Company. Proxies may also be solicited by telephone, e-mail or telefax by directors, officers or regular employees of the Company.

I. ELECTION OF DIRECTORS

The Board of Directors unanimously recommends a vote FOR election of L.W. Solley, J.D. Woods and G.E. Muenster, the three nominees for Directors listed below.

Nominees and Continuing Directors

The Company s Bylaws provide that the number of directors shall not be less than three nor greater than ten, and shall be determined from time to time by majority vote of the Board of Directors. In accordance with the Bylaws, the Board of Directors has fixed the number of directors at seven. Currently, there is a total of six directors. The Board of Directors has determined, based on the recommendation of the Nominating and Corporate Governance Committee, that G.E. Muenster, the Company s Executive Vice-President and Chief Financial Officer, be nominated for election as an additional director. The Board is divided into three classes, with the terms of office of each class ending in successive years. Three directors of the Company are nominated to be elected for terms expiring at the Annual Meeting in 2014, or until their respective successors have been elected and have qualified. Certain information with respect to the nominees for election as directors proposed by the Board of Directors and the other directors whose terms of office as directors will continue after the Annual Meeting is set forth below, including directorships held by each nominee at other public companies during the last five years and information regarding each nominee s specific experience, qualifications, attributes and skills that has led the Board to conclude that such nominee should serve as a Director. Should any one or more of the nominees be unable or unwilling to serve (which is not expected), the proxies (except proxies marked to the contrary) will be voted for such other person or persons as the Board of Directors of the Company may recommend. Proxies cannot be voted for more than three nominees.

Name, Age, Principal Occupation or Position, Other Directorships	**Served as Director Since**
NOMINEES FOR TERMS ENDING IN 2014	
L.W. Solley, 68	1999

Principal Occupation: Retired Executive Vice President, Emerson Electric Co.

Business Experience: Mr. Solley served as Executive Vice President of Emerson Electric Co., a technology and engineering provider of network power, process management, industrial automation, climate technologies, and appliance and tool solutions with more than 250 domestic and international manufacturing locations. He was responsible for product line acquisitions, their worldwide integration into the core business units of Emerson and for development of new international manufacturing facilities. Previously Mr. Solley served as Chairman, President and Chief Executive Officer of Fisher Controls International Inc. Prior to becoming Chairman, President and Chief Executive Officer of Fisher Controls, he held a number of other positions including Vice President Strategic Planning, Vice President Marketing and Sales, and Group Vice President. Fisher Controls was acquired by Emerson Electric in 1992.

Public Company Directorships: Currently, Mr. Solley serves on the Board of the Company.

Other Experience and Education: Prior to his positions at Emerson Electric and Fisher Controls, Mr. Solley held a number of engineering and manufacturing positions within Monsanto Agricultural Chemical Company. He received a Bachelor of Science in Chemical Engineering from Louisiana Tech University and engaged in post graduate studies at Loyola University in New Orleans and Institut Européen d Administration des Affaires (INSEAD) in Fountainbleu, France. He has also served as President and Chairman of the Valve Manufacturers Association.

Reasons for Board Membership: Mr. Solley s experience in acquisitions, international executive management, strategic planning and in sales and marketing with Emerson Electric and Fisher Controls, both large, complex, multinational corporations, as well as his engineering and domestic and foreign manufacturing experience has enabled him to provide valuable insight to Board deliberations and valuable guidance to the Company.

J.D. Woods, 78 2001

Principal Occupation: Chairman Emeritus and retired Chairman of the Board, President and Chief Executive Officer, Baker Hughes Incorporated.

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Business Experience: Mr. Woods served as Chief Executive Officer of Baker Hughes, a leading supplier of oilfield equipment and services from April 1987 until January 1997, and from January 1989 until January 1997 also served as Chairman.

Public Company Directorships: Currently, Mr. Woods serves on the Boards of: the Company; Foster Wheeler AG, a global engineering and construction contractor and power equipment supplier where he serves as a member of the Compensation, and Nominating and Governance Committees; and Complete Production Services, Inc., a leading oilfield service provider where he serves as a member of the Audit, Compensation, and Nominating and Governance Committees. Previously, Mr. Woods served as a member of the Board of Directors of National Oilwell Varco, OMI Corporation, USEC Inc. and Cap Rock Communications, Inc.

Other Experience: Mr. Woods is the past Chairman of the Petroleum Equipment Suppliers Association and past Chairman of the National Ocean Industries Association. He served as Chairman of the Greater Houston YMCA and serves as a director of the University of Texas Health Science Center in Houston, Texas, and as a trustee of the Boys and Girls Club of America. Mr. Woods received a Bachelor s degree in Finance from California State University, Fullerton, and was awarded an honorary Doctorate degree by the University in 2006.

Reasons for Board Membership: Mr. Woods experience in governance issues at public companies and in managing a large multi-national company brings to the Board of Directors valuable insights into the areas of managing growth and acquisitions and divestures.

G.E. Muenster, 51 Nominee

Principal Occupation: Executive Vice President and Chief Financial Officer of the Company.

Business Experience: Mr. Muenster has served in a number of senior financial management positions with increasing responsibilities over the past 20 years with the Company before becoming Vice President and Chief Financial Officer in 2003 and Executive Vice President and Chief Financial Officer in 2008.

Public Company Directorships: None, pending election to the Company s Board.

Education: Mr. Muenster received a Bachelor of Science degree in Accounting from St. Louis University. In addition, Mr. Muenster holds a Certified Public Accountant (CPA) license from the State of Missouri.

Other Experience: Prior to joining the Company, Mr. Muenster was employed by one of the world s largest international certified public accounting firms, KPMG LLP. In this role, Mr. Muenster served as Client Manager, auditing and providing financial, accounting and Securities and Exchange Commission (SEC) compliance services to several of St. Louis largest publicly-traded global manufacturing companies, including Emerson Electric Co.

Reasons for Board Membership: Mr. Muenster s broad range of financial and operational responsibilities with the Company and his long service make him uniquely qualified to provide the Board of Directors with valuable insights into the Company, helping to identify its strengths and weaknesses, and identifying and directing key managers and other critical employees.

TO CONTINUE IN OFFICE UNTIL 2013

V.L. Richey, Jr., 52 2002

Principal Occupation: Chairman, Chief Executive Officer and President of the Company.

Business Experience: Mr. Richey joined the Company in 1990 and has served in a number of positions including Vice President Sales and Marketing for one of the Company s divisions; corporate Vice President Administration; Vice President responsible for the Company s Communications and Test segments; and President and Chief Operating Officer prior to becoming Chairman of the Board of Directors and Chief Executive Officer in 2003.

Public Company Directorships: Currently, Mr. Richey serves on the Board of the Company and Nordson Corp., a leader in precision dispensing equipment for applying industrial liquid and powder coatings, adhesives, and sealants to numerous consumer and industrial products during manufacturing operations, where he serves as a member of the Audit and Finance Committee.

Other Experience and Education: Prior to joining the Company, Mr. Richey was employed by Emerson Electric Co. as Assistant to the President, Electronics and Space Division, and served in the United States Army as a

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Military Intelligence Officer. Mr. Richey has a Bachelor of Arts degree from Western Kentucky University and a Masters in Business Administration degree from Washington University in St. Louis, Missouri.

Reasons for Board Membership. Mr. Richey s broad range of ever-increasing responsibilities with the Company and his long service make him uniquely qualified to provide the Board of Directors with valuable insights into the Company, its strengths and weaknesses and its employees.

J.M. Stolze, 67	1999

Principal Occupation: Retired Vice President and Chief Financial Officer, Stereotaxis, Inc.

Business Experience: Mr. Stolze served as Vice President and Chief Financial Officer, Stereotaxis, Inc., a manufacturer of medical instruments, from May, 2004 until his retirement in December, 2009. Previously, Mr. Stolze served as Executive Vice President and Chief Financial Officer, MEMC Electronic Materials Inc. and prior thereto as Audit Partner for KPMG LLP.

Public Company Directorships: Currently, Mr. Stolze serves on the Board of the Company.

Other Experience and Education: Mr. Stolze is a member of the Board of Directors and Chairman of the Audit Committee, ISTO Technologies, Inc., an orthobiologics company; member of the Board of Trustees and member of the Facilities and Real Estate Committee, Maryville University, St. Louis, Missouri. Mr. Stolze received a Bachelor of Science degree in Mechanical Engineering from the University of Notre Dame and a Masters in Business Administration degree from the University of Michigan. He holds a CPA license from the State of Missouri.

Reasons for Board Membership: Mr. Stolze s experience in the accounting profession as well as his experience in corporate finance and treasury matters and domestic and foreign manufacturing has enabled Mr. Stolze to provide valuable advice and direction. As Chairman of the Audit and Finance Committee of the Company s Board of Directors and its designated financial expert, Mr. Stolze adds significant value to the Company s goals of maintaining a strong balance sheet and fulfilling its financial reporting obligations, accurately and transparently.

TO CONTINUE IN OFFICE UNTIL 2012

J.M. McConnell, 69	1996

Principal Occupation: Retired Chief Executive Officer, Instron Corporation.

Business Experience: Mr. McConnell served as President and Chief Executive Officer of Instron Corporation, a leading supplier of scientific instruments, from 1990 until his retirement in 2002. Prior to joining Instron, Mr. McConnell served as the President and Chief Executive Officer of Emerson Electric Co. Automatic Switch Division, President and Chief Operating Officer of Rosemount Division of Emerson Electric Co. and as Group Vice President of Emerson Electric Co.

Public Company Directorships: Mr. McConnell currently serves on the Board of the Company and Warren Resources, Inc., an independent energy company engaged in the exploration and development of domestic onshore oil and natural gas reserves, where he serves as a member of the Audit Committee. Mr. McConnell previously served as a member of the Board of Directors of Duracraft Corporation where he was a member of the Audit and Compensation Committees.

Other Experience and Education: Mr. McConnell served on the regional advisory board of BayBanks, Inc. and the Parents Advisory Board of Bucknell University. Mr. McConnell earned a Bachelor of Arts degree from the University of Texas at Austin in mathematics and physics in 1964.

Reasons for Board Membership. Mr. McConnell brings to the Board of Directors significant experience in the areas of acquisitions and divestures, international manufacturing and distribution, application-specific software programs, and domestic and international technology transfer transactions, all of which have enabled him to provide valuable advice and direction to the Company in those areas.

D.C. Trauscht, 76 1991

Principal Occupation: Chairman, BW Capital Corporation.

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Business Experience: Mr. Trauscht currently serves as Chairman of BW Capital Corporation, a private investment company. He formerly served as Chairman, President, and Chief Executive Officer, Borg Warner Corporation; President, Langevin Company; and President, Scientific Management Corp.

Public Company Directorships: Mr. Trauscht currently serves on the Boards of the Company and Scorpio Tankers Inc., a world-wide provider of marine transportation of petroleum products where he serves as Lead Director, Chairman of the Governance and Compensation committees and a member of the Audit Committee. Mr. Trauscht previously served on the Board of Directors of a number of publicly-traded companies, including Baker Hughes Inc.; Borg Warner Corporation; Blue Bird Corporation; Cordant Technologies Inc.; Wynn International Inc.; IES Corporation; IMO Industries Inc.; and OMI Corporation as well as serving as Chairman of a number of Board Committees, including Compensation, Finance, Governance and Audit.

Other Experience: Mr. Trauscht currently serves on the Board of Directors of Bourns Inc., a manufacturer and supplier of sophisticated electronic components, and previously served on the Board of Directors of Global Motor Sports Group Inc. Mr. Trauscht has served as Trustee of a number of civic, professional and charitable organizations including the Oak Brook, Illinois School District; Illinois Literacy Foundation; and the Museum of Science and Industry in Chicago, Illinois.

Reasons for Board Membership: Mr. Trauscht s service as Chief Executive Officer of Borg Warner Corporation as well as his extensive experience as a Board Member and Committee Chair at a number of publicly-held companies has enabled him to provide valuable advice and direction to the Company in all areas, particularly those involving corporate governance, acquisitions, divestitures and capital spending. His background and experience makes Mr. Trauscht uniquely qualified to discharge his duties as the Company s Lead Director.

Each of the nominees and continuing directors has had the same principal occupation as stated in the preceding table during the past five years, except as follows:

Mr. Muenster was Vice President and Controller of the Company from February 1999 to February 2003, and Vice President and Chief Financial Officer from February 2003 to February 2006, and from February 2006 to February 2008, he was Senior Vice President and Chief Financial Officer. Since February 2008, he has been Executive Vice President and Chief Financial Officer of the Company.

Since April 2003, Mr. Richey has been Chairman and Chief Executive Officer of the Company. Since September 30, 2006, he has also been President.

From May 2004 until December, 2009, Mr. Stolze was Vice President and Chief Financial Officer of Stereotaxis, Inc.

Board of Directors and Committees

The Board of Directors has determined that none of the non-management directors has any relationship with the Company other than in his capacity as a director and stockholder, and, as a result, such directors are determined to be independent under the standards of the New York Stock Exchange. The non-management directors are J.M. McConnell, L.W. Solley, J.M. Stolze, D.C. Trauscht and J.D. Woods.

There were four meetings of the Board of Directors during fiscal 2010. All of the incumbent directors attended at least 75% of the meetings of the Board and committees on which they served. The Company s policy requires the attendance of all directors at the Annual Meeting of Stockholders, except for absences due to causes beyond the reasonable control of the director. Each of the six directors in office at the time of the 2010 Annual Meeting attended that meeting.

The many responsibilities and the substantial time commitment of being a director of a public company require that the Company provide adequate incentives for the directors continued performance by paying compensation commensurate with the directors expertise and duties. Directors who are employees of the Company do not receive any compensation for service as directors. The non-management directors are compensated based upon their respective levels of Board participation and responsibilities, including service on Board committees. Compensation paid in fiscal 2010 to non-management directors was as follows: annual cash retainer $30,000 (increased to $32,500 for fiscal 2011); additional annual cash retainer for Lead Director $15,000 (increased to $25,000 for fiscal 2011 to reflect the increase in the responsibility and time commitment associated with this role); annual fee for Board meetings $4,800; annual cash retainer for Chairman of Audit and Finance Committee $7,000;

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annual cash retainer for Chairmen of Human Resources and Compensation and Nominating and Corporate Governance Committees $5,000; annual fee for meetings of Audit and Finance Committee and Human Resources and Compensation Committee $4,800; and annual fee for meetings of Nominating and Corporate Governance Committee $6,000. The above-mentioned cash retainers and fees are paid in January of each year. Also, each non-management director receives a retainer of 800 Common Shares per quarter.

Under the Company s Directors Extended Compensation Plan, a Plan for non-management directors who began Board service prior to April 2001, each director currently on the Board who has served as a non-management director for at least five years will, after the later of termination of services as a director or reaching age 65, receive for life an annual benefit equal to a percentage of the fiscal year 2001 annual cash retainer for directors of $20,000. Such percentage ranges from 50% to 100% based upon years of service as a director. In the event of death of a retired director who is eligible under this plan, 50% of the benefit will be paid to the surviving spouse for life. On or after retirement, if the eligible director so elects, the actuarial equivalent of the benefit may be received in a single lump sum. Certain of the eligible directors have elected to receive this lump sum distribution at the time of retirement, in compliance with section 409(a) of the Internal Revenue Code.

Directors may elect to defer receipt of all of their cash compensation and/or all of their quarterly stock retainer. If elected, the deferred amounts are credited to the director s deferred compensation account in stock equivalents. Deferred amounts will be distributed in Common Shares or cash at such future dates as specified by the director unless distribution is accelerated in certain circumstances, including a change in control of the Company. The stock portion which has been deferred may only be distributed in Common Shares.

Directors are subject to stock ownership guidelines. Under these guidelines, each independent director is expected to accumulate shares having a total cash value equal to five times the annual cash retainer. These shares must be accumulated within five years of guideline adoption or appointment to the Board. All directors are in compliance with the guidelines.

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DIRECTOR COMPENSATION

The following table sets forth the compensation of the Company s non-management directors for fiscal 2010.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(2)	All Other Compensation ($)	Total ($)
J.M. McConnell	$ 45,600(3)	$ 105,144			$ 3,892		$ 154,636
L.W. Solley	45,600(4)	105,144			4,572		155,316
J.M. Stolze	46,600(5)	105,144			5,653		157,397
D.C. Trauscht	70,400(6)	105,144			0		175,544
J.D. Woods	44,600(7)	105,144			15,657		165,401

(1) Dollar amounts represent the aggregate grant date fair values and are based on the market value of the stock on the date of each quarterly award of 800 shares under the Compensation Plan for Non-Employee Directors. The amounts reflect the actual dollar amounts recognized for financial statement reporting purposes for fiscal 2010 calculated in accordance with FASB ASC Topic 718.

Date of Award	Shares	Share Price
October 1, 2009	800	$ 37.64
January 2, 2010	800	36.69
April 1, 2010	800	31.97
July 1, 2010	800	25.13

(2) Represents the change in actuarial present value of the accumulated benefits under the Company s Directors Extended Compensation Plan from September 30, 2009 to September 30, 2010. Non-management directors who began service prior to April 2001 are eligible to participate in the plan after at least five years of Board service. The plan pays benefits as a percentage of $20,000 at time of retirement based on completed years of Board service. The percentage is 50% for five years of Board service and increases by 10% for each additional year of service to 100% for ten or more years of Board service. Benefits are paid quarterly, commencing the later of the director s 65th birthday or retirement. In the event of death, 50% of the annual benefit is payable to the surviving spouse for the life of the spouse. The change in pension value shown above includes the effect of changes in actuarial assumptions from year to year. Pension values increased due to the effect of changes in actuarial assumptions. The increase in pension value due to assumption changes for Messrs. McConnell, Solley, Stolze, Trauscht and Woods was $9,714, $10,234, $11,063, $6,161 and $10,582, respectively. Pursuant to applicable regulations, the amounts in the table do not include a negative amount of $582 for D.C. Trauscht relating to change in pension value.

(3) Represents: annual cash retainer $30,000, board meeting fees $4,800, committee meeting fees $10,800.

(4) Represents: annual cash retainer $30,000, board meeting fees $4,800, committee meeting fees $10,800.

(5) Represents: annual cash retainer $30,000, board meeting fees $4,800, committee meeting fees $4,800, committee chairman fee $7,000.

(6) Represents: annual cash retainer $30,000, lead director fee $15,000, board meeting fees $4,800, committee meeting fees $15,600, committee chairman fee $5,000.

(7) Represents: annual cash retainer $30,000, board meeting fees $4,800, committee meeting fees $4,800, committee chairman fee $5,000.

CORPORATE GOVERNANCE

The Board of Directors has adopted corporate governance guidelines and a code of business conduct and ethics applicable to all of the Company s directors, officers and employees. Additionally, the Board of Directors has adopted a code of ethics for senior financial officers applicable to the Company s Chief Executive Officer, Chief

Financial Officer, Chief Accounting Officer, Controller and persons performing similar duties. These documents are posted on the Company s web site: www.escotechnologies.com. A copy of each of the corporate governance guidelines, the code of business conduct and ethics and the code of ethics for senior financial officers is also available in print to any Stockholder who requests it.

Mr. Trauscht, the Company s Lead Director, presides at meetings of the non-management directors (each of whom is deemed independent), which normally occur in conjunction with each Board meeting. Parties desiring to communicate concerns regarding the Company to the non-management Directors may direct correspondence to the Lead Director of the Board at the following address: Mr. D.C. Trauscht, Lead Director, ESCO Technologies Board of Directors, ESCO Technologies Inc., 9900A Clayton Road, St. Louis, MO 63124-1186. Parties who wish to communicate with a particular director or non-management directors as a group may write to such director(s) at ESCO Technologies Inc., 9900A Clayton Road, St. Louis, MO 63124-1186, Attn: Secretary. All such letters will be forwarded promptly to the relevant director(s).

The Board s Role In Risk Oversight and Board Leadership Structure

The Company s management is responsible for the day-to-day management of the Company s risks. Management has adopted a comprehensive, ongoing enterprise risk management process that it uses to identify and assess Company risks. The risks management has identified are in four general areas: Financial and Reporting; Legal and Compliance; Operational; and Strategic. Periodically, management advises the Board and the appropriate Board Committee of the risks identified; management s assessment of those risks at the business unit and corporate levels; its plans for the management of these identified risks or the mitigation of their effects; and the results of the implementation of those plans. While the Board as a whole has responsibility for and is involved in the oversight of management s risk management processes and controls, some of the identified risks are given further review by the Board Committee most closely associated with the identified risks. For example, the Audit and Finance Committee provides additional review of the risks in the areas of accounting, liquidity, credit and tax. Similarly, the Human Resource and Compensation Committee provides additional review of risks in the area of compensation and benefits and human resource planning. The Nominating and Corporate Governance Committee devotes additional time to the review of risks associated with corporate governance, ethics and legal issues.

The Board s leadership structure, discussed below, with the combined positions of Chairman of the Board and Chief Executive Officer, enables that one person, who has intimate knowledge of management s day-to-day risk management processes and controls, to ensure that the directors receive all of the information necessary to discharge their oversight role responsibly.

In adopting the Company s Corporate Governance Guidelines, the Board of Directors established the policy that the position of Chief Executive Officer and Chairman of the Board of Directors be held by the same person. Based upon its most current review of that policy, the Board of Directors continues to believe that it has served the Company well. V. L. Richey, Jr. has been and continues to be Chairman of the Board and Chief Executive Officer. The Board believes that Mr. Richey is a strong leader at both the Company and the Board levels, and believes that the Chief Executive Officer, who has primary responsibility for managing the day-to-day operations of the Company, is also well positioned to provide Board leadership that is aligned with the Stockholders interests and the needs of the Company. Furthermore, the Board believes that having one person serving as Chairman of the Board and Chief Executive Officer enables the Company to speak with one voice, and reduces the chance of confusion about leadership roles and responsibilities.

At the same time, the Board is also very cognizant of its oversight responsibilities, and has in place structural safeguards that serve to preserve the Board s independent oversight of management. Currently all of the directors, with the exception of Mr. Richey, are independent (as defined by the applicable listing standards of the New York Stock

Exchange) and are highly qualified and experienced. If elected by the Stockholders, Mr. Muenster, the Company s Chief Financial Officer and Executive Vice President, will join the Board as only the second management director, with a significant majority of directors remaining independent. Additionally, each member of the Audit and Finance, Human Resources and Compensation, and Nominating and Corporate Governance Committees is an independent director. Further, the Board has appointed Mr. Trauscht as Lead Director. The Lead Director chairs all meetings of the independent directors; provides input to the Chairman regarding the content of the agendas for meetings of the Board; advises the Chairman of the quality, quantity and timeliness of the information required by the Board to effectively and responsibly perform its oversight duties; and acts as liaison between the Board and the Chairman on sensitive issues. The Board believes that these safeguards have been and are effective in preserving the Board s independent oversight of management.

Related Person Transactions and Procedures

The Company reviews relationships and transactions in which the Company and Related Persons are participants to determine whether such Related Persons have a direct or indirect material interest. Related Persons include the Company s directors, director nominees, executive officers, 5% or more Stockholders or their immediate family members. The Company has developed and implemented processes and controls to obtain information from Related Persons about Related Person Transactions and for the purpose of determining, based on the facts and circumstances, whether a Related Person has a direct or indirect material interest in the transaction. As required under SEC rules, transactions that are determined to be directly or indirectly material to a Related Person are disclosed in this proxy statement.

Pursuant to these processes, all directors and executive officers annually complete, sign and submit a Directors and Officers Questionnaire and a Conflict of Interest Questionnaire that are designed to identify Related Person Transactions and both actual and potential conflicts of interest. Additionally, 5% or more Stockholders are requested to respond to certain questions designed to identify direct or indirect material interests by such 5% or more Stockholder in any transactions with the Company. The Company s written policy on Related Person Transactions requires prompt notice to the General Counsel by a Related Person of any material interest that such Related Person may have in a proposed transaction with the Company. If the Chairman of the Corporate Governance and Nominating Committee determines that a conflict exists, after notice from the General Counsel, the Committee will review the material facts of the proposed transaction and determine whether to approve or disapprove such transaction. The Committee will consider whether the transaction with the Related Person is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances. If advance Committee approval is not feasible or is not obtained, review of the transaction will occur after the fact, and the Committee shall be empowered to approve, ratify, amend, rescind or terminate the transaction.

COMMITTEES

The members of the Board of Directors are appointed to various committees. The standing committees of the Board are: the Executive Committee, the Audit and Finance Committee, the Human Resources and Compensation Committee and the Nominating and Corporate Governance Committee. Each of these committees operates under a written charter adopted by the Board of Directors.

The Executive Committee s function is to exercise the full authority of the Board of Directors between Board meetings, except that the Executive Committee may not take certain specified actions which the Board of Directors has reserved for action by the whole Board. The Committee held three meetings in fiscal 2010. Mr. Richey (Chairman) and Mr. Trauscht are the members of the Committee.

The Audit and Finance Committee s functions generally are to assist oversight by the Board of Directors of the Company s financial reporting process, the Company s compliance with legal and regulatory requirements, the independent registered public accounting firm s (the accounting firm) qualifications and independence, and the performance of the Company s internal audit function and the accounting firm. These functions include the responsibility to appoint, retain and oversee the accounting firm and its performance of the annual audit; to annually evaluate the qualifications, independence and prior performance of the accounting firm; to review the scope of the accounting firm s work and approve its annual audit fees and any non-audit service fees; to review the Company s internal controls with the accounting firm and the internal audit executive; to review with the accounting firm any problems it may have encountered during the annual audit; to discuss 10-K and 10-Q reports with management and the accounting firm before filing; to review and discuss earnings press releases; to discuss with management major financial risk exposures; to review the annual plan and associated resource allocation of the internal audit function; to review the Company s reports to Stockholders with management and the accounting firm, and to receive certain assurances from management; and to prepare a report as required by the SEC to be included in the annual proxy statement. Each member of the Committee is an independent director, as defined in the applicable listing standards of the New York Stock Exchange. The Board of Directors has determined that Mr. Stolze, the Chairman of the Audit and Finance Committee, is an audit committee financial expert within the meaning of Item 407(d)(5)(ii) of Regulation S-K under the Securities Exchange Act of 1934, as amended (the Exchange Act), and is independent within the meaning of the applicable listing standards of the New York Stock Exchange. The Committee met four times in fiscal 2010. Mr. Stolze (Chairman), Mr. McConnell and Mr. Trauscht are the members of the Committee. The Committee s charter is posted on the Company s web site: www.escotechnologies.com under the Corporate Governance link and is available in print to any Stockholder who requests it.

The Human Resources and Compensation Committee s functions generally are to review and approve corporate goals and objectives relevant to compensation of the Chief Executive Officer; to evaluate the Chief Executive Officer s performance in light of these goals and objectives; to determine and approve the Chief Executive Officer s compensation level based upon the evaluation; to review and approve the compensation of officers and other key executives, incentive compensation plans, equity-based plans and other compensation plans; to review and approve material changes to benefit programs, including new programs; to review the performance, development, and succession planning for the Company management; to assure that executive officers and other senior executives of the Company are compensated in a manner consistent with the strategy of the Company and competitive practice; to review and discuss with management the Company s Compensation Discussion and Analysis (CD&A) and recommend its inclusion in the annual proxy statement and Form 10-K for filing with the SEC; and to oversee the Charitable Contributions Program. Each member of the Committee is an independent director, as defined in the applicable listing standards of the New York Stock Exchange. The Committee met five times in fiscal 2010. Mr. Woods (Chairman), Mr. Solley and Mr. Trauscht are the members of the Committee. The Committee s charter is posted on the Company s web site: www.escotechnologies.com under the Corporate Governance link and is available in print to any Stockholder who requests it.

The Nominating and Corporate Governance Committee s functions generally are to identify and recommend approval of individuals qualified to become Board members; to recommend director nominees for selection to the Board; to review the composition of the Board committees; to develop and recommend to the Board effective corporate governance guidelines; to review the Company s corporate governance and compliance programs; to oversee the Company s ethics programs; to review conflicts of interest involving related persons, including oversight and administration of the Related Party Transactions policy; and to lead the Board in its annual review of the Board s performance. The Committee will consider candidates for election as directors recommended by Stockholders and evaluate such individuals in the same manner as other candidates proposed to the Committee. All candidates must meet the legal, regulatory and exchange requirements applicable to members of the Board of Directors. The Committee has not established other specific minimum qualifications that must be met by a candidate in order to be considered for nomination by the Committee, but requires that candidates have varied business and professional backgrounds; be persons of the highest integrity; possess sound business judgment and possess such other skills and experience as will enable the Board to act in the long-term interests of the Stockholders. Additionally, the Committee may establish and utilize such other specific membership criteria as the Committee deems appropriate from time to time in light of the Board s need of specific skills and experience. Although the Committee does not have a formal policy on diversity, the Committee seeks the most qualified candidates without regard to race, color, national origin, gender, religion, disability or sexual orientation. The Committee may identify new candidates for nomination based on recommendations from Company management, employees, non-management directors, third party search firms, Stockholders and other third parties. Consideration of a new candidate typically involves the Committee s review of information pertaining to such candidate and a series of internal discussions, and may proceed to interviews with the candidate. New candidates are evaluated based on the above-described criteria in light of the specific needs of the Board and the Company at the time. Incumbent directors whose terms are set to expire are evaluated based on the above-described criteria, as well as a review of their overall past performance on the Board of Directors. The Committee has the authority to engage third party search firms to identify candidates, but did not do so in fiscal 2010.

Stockholders who wish to recommend director candidates for the next Annual Meeting of Stockholders should notify the Committee no later than August 31, 2011. Submissions are to be addressed to the Nominating and Corporate Governance Committee, c/o the Company s Corporate Secretary, Alyson S. Barclay, at ESCO Technologies Inc., 9900A Clayton Road, St. Louis, MO 63124-1186, which submissions will then be forwarded to the Committee. The Committee is not obligated to nominate any such individual for election. No such Stockholder candidates have been received by the Company for this Annual Meeting. Each member of the Committee is an independent director, as defined in the applicable listing standards of the New York Stock Exchange. The Committee met five times in fiscal 2010. Mr. Trauscht (Chairman), Mr. McConnell and Mr. Solley are the members of the Committee. The Committee s charter is posted on the Company s web site: www.escotechnologies.com under the Corporate Governance link and is available in print to any Stockholder who requests it.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During fiscal 2010, the members of the Human Resources and Compensation Committee were L.W. Solley, D.C. Trauscht and J.D. Woods. None of the foregoing (i) was during fiscal 2010 an officer or employee of the Company; (ii) was formerly an officer of the Company; or (iii) had any relationship requiring disclosure by the Company under any paragraph of Item 404 of Regulation S-K.

Report of the Audit and Finance Committee

The Audit and Finance Committee (the Committee) oversees and monitors the Company s financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including the Company s system of internal controls. In fulfilling its oversight responsibilities, the Committee reviewed and discussed with management the audited financial statements to be included in the Annual Report on Form 10-K for the year ended September 30, 2010, including a discussion of the quality and the acceptability of the Company s financial reporting practices and the internal controls over financial reporting.

The Committee reviewed with the independent registered public accounting firm (the accounting firm), which is responsible for expressing an opinion on the conformity of those audited financial statements with accounting principles generally accepted in the United States of America, its judgments as to the quality and the acceptability of the Company s financial reporting and such other matters as are required to be discussed with the Committee under auditing standards generally accepted in the United States of America. In addition, the Committee discussed with the accounting firm its independence from management and the Company, including the impact of any non-audit-related services provided to the Company and the matters in the accounting firm s written disclosures and the letter required by the applicable requirements of the Public Company Accounting Oversight Board (PCAOB) received by the Company regarding the accounting firm s communications with the Committee concerning independence. The Committee also discussed with the accounting firm the matters required to be discussed by the statement on Auditing Standards No. 61, as amended, as adopted by the PCAOB.

Further, the Committee discussed with the Company s internal audit executive and the accounting firm the overall scope and plans for their respective audits. The Committee meets periodically with the internal audit executive and the accounting firm, with and without management present, to discuss the results of the examinations, their evaluations of the Company s internal controls (including internal controls over financial reporting), and the overall quality of the Company s financial reporting.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors that the audited financial statements be included in the Annual Report on Form 10-K for the fiscal year ended September 30, 2010 for filing with the SEC. The Committee also evaluated and reappointed KPMG LLP as the Company s independent registered public accounting firm for fiscal 2011.

The Audit and Finance Committee

J.M. Stolze, Chairman
J.M. McConnell
D.C. Trauscht

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

The Human Resources and Compensation Committee (the Committee) is responsible for determining the compensation of the Chief Executive Officer, other senior officers and key executives of the Company.

Compensation Objectives

The Committee s objective is to develop and maintain compensation packages most likely to attract, retain, motivate, and reward the Company s executive officers and other senior officers and key executives. Compensation programs are designed to be consistent with those of other companies engaged in similar industries and/or of similar size with which the Company is likely to compete for talent to enable the Company to employ and retain a high-quality management team. The Committee seeks to use performance based compensation to maximize the alignment of executive compensation with the long-term interests of Stockholders.

Executive Summary

The Company s compensation program is designed to reward positive fiscal performance. The bonus program is tied to key strategic targets and is designed to reward strong performance. Payouts are higher in times of good performance and lower when targets are not achieved. The stock-based long-term incentive program helps align the interests of our executives and Stockholders by ensuring our executives are also Stockholders. Further, under the performance-accelerated restricted stock (PARS) awards program, one of the Company s long-term incentive programs, shares may not be earned until 3.5 years after the initial award which contributes to our goal of executive retention. As these awards are tied to stock price this also serves as an incentive to drive strong Company performance. The Company s strong fiscal year 2010 financial performance, as reflected by the best fourth quarter performance in the Company s history, was led by the executive team. The Committee believes the fiscal 2010 results reflect the success of the Company s compensation program in incentivizing its executive team.

Compensation Summary

The Committee offers its executive officers a compensation package that includes:

- A competitive base salary;
- An annual at-risk cash bonus opportunity based on key performance measures;
- Long-term equity incentive compensation (LTI) based on Company stock performance and retention factors;
- Protection in the form of change of control arrangements through a Severance Plan and employment agreements; and
- Appropriate and reasonable perquisites.

The Committee sets compensation levels based on the skills, experience and achievements of each executive officer, taking into account market checking described below and the compensation recommendations by the Chief Executive Officer, except with respect to his own position. The Committee also considers tally sheets which provide, for each executive officer, a recap of each principal element of compensation as well as benefits, perquisites, outstanding equity awards and stock ownership or potential ownership. The tally sheets also reflect the incremental compensation as a result of various termination scenarios and each element of pay or benefits impacted. The Committee retains the discretion to adjust all elements of compensation as it deems appropriate, subject to the requirements of Stockholder approved plans.

Compensation Consultant and Market Checking

The Committee is authorized by its charter to employ independent compensation and other consultants. Every other year, the Committee has engaged Towers Watson, a nationally recognized compensation consulting firm (Compensation Consultant), to assist the Committee in evaluating executive compensation. A consultant was not engaged for fiscal year 2010.

An unrelated branch of Towers Perrin has historically been engaged to perform actuarial services for the Company. In calendar 2010 the compensation division of Towers Watson was spun-off into a new Company Pay

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Governance. The Compensation Consultant periodically attends the Committee meetings at the Committee s request and provides information, research and analysis pertaining to executive compensation as requested by the Committee, including updates on market trends, survey data and analysis for market review.

In September 2008, the Compensation Consultant prepared a report which the Committee and management used for their fiscal 2009 market review. This report was also used for the fiscal 2010 review. In the years in which the Compensation Consultant is not engaged, such as in fiscal year 2010, the Company ages the prior year s data from the manufacturing surveys included in the Consultant s report (by applying a multiplier to the Consultant s prior year survey data consistent with the average market increase for executives in the prior year), and collects pertinent information from peer proxy filings, such as base salary. The Company applied an upward adjustment of 3% to the manufacturing peer data for fiscal year 2010. For fiscal 2010, the consultant s 2008 peer survey data was updated to reflect the changes in the peer companies identified in the Company s 2009 Annual Report. The updated report included market data from two separate groups of companies, the Peer Survey Companies and Manufacturing Survey Companies , as set forth below:

1. A comparative group of eight peer companies was selected on the basis of industry type, and within each industry, closest comparable size in the utility solutions, test and filtration industries, identified in the Company s 2009 Annual Report to Stockholders as the 2009 Peer Group . The eight peer companies (Peer Survey Companies) included:

Utility Solutions Group:	Itron, Inc.	Badger Meter, Inc.	Roper Industries Inc.
	Comverge, Inc.	Echelon Corporation	
Test:	LeCroy Corporation		
Filtration/Fluid Flow:	Pall Corporation	Clarcor, Inc.	

2. A combination of two surveys of general manufacturing companies, adjusted to the Company s relative size (Manufacturing Survey Companies), was also reviewed by the Committee. This second group is included to ensure that comparisons are made with competitors, as well as manufacturing companies of a size similar to the Company. The Durable Goods Manufacturing Survey had 289 participating companies and the Manufacturing Industry Companies Survey had 119 participating companies for the executive officer positions. Please see Appendix A for a list of these Manufacturing Survey Companies.

For each of the Company s executive officer positions a review of each principal element of compensation (base salary, cash bonus and LTI), as well as total cash compensation (base salary and cash bonus), and target total direct compensation (target cash compensation and LTI) is made against an annual median market rate determined based on the average of these two groups. For fiscal 2010, the Company utilized the 50th percentiles for the Peer Survey Companies in determining the average market rates. For fiscal 2010, the 50^{th} and 75^{th} percentiles were averaged for the Manufacturing Survey Companies due to the Company s relative business complexity. The 2008 survey reflected that the Company s executive officers total pay mix is closely aligned with that of the Manufacturing Survey Companies. However since the Peer Survey Companies provide significantly larger LTI awards they were not directly comparable.

Each principal element of compensation is reviewed independently against the market rates. Relative Company performance is also periodically compared to the then-current peer group to test the overall reasonableness of pay for performance for years in which the Compensation Consultant is engaged.

The September 2008 report included a review of the internal pay relationships between the CEO and other executive officers and a comparison of the pay relationship between like officers in similar sized manufacturing companies. The report reflected that the CEO s pay is well aligned with the other executive officers of the Company and is in line with the pay relationships at the manufacturing companies group. Accordingly, the Committee determined that no changes to the compensation practices were warranted for fiscal 2010.

Principal Elements of Compensation

The principal elements of compensation (base salary, cash bonus and LTI) for the executive officers are shown in the Summary Compensation Table on page 21.

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The Committee considers the survey data described above as a frame of reference in making its determinations. The Committee s decisions are not formulized, and the Committee exercises considerable judgment and discretion in making them.

Annual Base Salaries Base salaries are designed to attract, retain, motivate and reward competent, qualified, experienced executives to operate the business. The Company emphasizes performance-based compensation for the executive officers. Historically, the executive officers salaries have been targeted to the median of the annual market rates, as adjusted for the relative value of the jobs within the Company to those in the comparison companies. At the discretion of the Committee, with input by the CEO, executive officers with significant experience and responsibility who consistently demonstrate exemplary performance may be paid more than the market rates set for their positions, while less experienced executive officers may be paid salaries less than the market rates.

Fiscal 2010 base salaries for the executive officers were set by the Committee at the beginning of the fiscal year. The salaries were set based on the Committee s review of current salary levels and target total cash compensation (base salary and cash bonus) compared to the established annual market rates and took into account, for the CEO, fiscal 2009 individual and Company performance and for the other executive officers, a subjective evaluation of the executives fiscal 2009 performance with input of the CEO.

In considering fiscal 2009 Company performance for the CEO s base salary determination, the Committee took into account the Company s financial and operating performance, including:

Consolidated Net Sales increased $5.5 million in 2009 in spite of a very challenging global economy.

Net Sales at Aclara RF increased $48.8 million, or 46.7 percent in 2009 driven by significant increases in Gas AMI shipments to Pacific Gas & Electric.

Earnings per share from continuing operations increased in 2009 to $1.86 from $1.81 per share.

The Company recorded entered orders of $634 million in 2009, resulting in a book-to-bill ratio greater than 1.0 in a challenging global environment.

Net cash provided by operating activities was $77.6 million, representing an all-time historical high.

As a result of strong cash flow, net debt outstanding was paid down to $130.6 million, resulting in a favorable leverage ratio of 1.86x.

Aclara successfully developed and launched several new products related to Smart Grid applications.

Management successfully implemented contingency plans across the Company to generate significant cost savings to mitigate the impact of the global economic slowdown.

Based on the contributions to the Company s performance described above, their individual contributions in their respective areas of expertise, and the market rates, the Committee approved a 2010 increase in base salary for the Executive VP and CFO and the Senior VP and General Counsel. Target total cash compensation (base salary and cash bonus) for 2010 was above the market median rate for the Executive VP and CFO and just below the market median rate for the Senior VP and General Counsel. Data from the Manufacturing Survey Companies, however, indicated that total cash compensation for the Senior VP and General Counsel was at the market median rate. The Company concluded that due to the small sample size of the Peer Survey Companies, its data was not reflective of the market.

Cash Bonus The Committee uses annual performance-based cash bonuses to compensate the executive officers. The Committee establishes performance targets for executive officers, using financial, operational and individual goals linking compensation to overall Company performance. The executive officers individual goals are determined by each officer and submitted to the CEO for his review, except with respect to his goals which are evaluated and approved by the Lead Director.

For the executive officers, the Company operated two short-term cash bonus plans in fiscal 2010: (i) the Incentive Compensation Plan for Executive Officers (ICP); and (ii) the Performance Compensation Plan (PCP). These at-risk plans closely link the executive officers pay to the Company s financial results and provide for compensation variability through reduced payments in times of poor performance and higher compensation in times of strong performance. The ICP is a Section 162(m) stockholder approved plan with a fixed target

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and a range. The PCP also has a fixed target and a range, but allows for Committee discretion in determining actual bonus payouts.

The target short-term bonuses are divided equally between the two plans for the executive officers. The plans are divided equally to provide a balance between the ongoing Stockholder value proposition (measured by earnings per share) and the Company s goal to annually evaluate and focus senior managers on other strategic measures such as cash flow. The target percentage of total cash compensation represented by the ICP and PCP is based on the level of the position, with targets for fiscal 2010 as follows:

			Cash Bonus		Fiscal 2010 Target ICP		Target PCP	
	Base Salary ($)	Base % Total Cash Comp.	Bonus Target ($)	Bonus % Total Cash Comp.	($)	% of Total Cash Comp.	($)	% of Total Cash Comp.
Chairman & CEO	$ 712,000	60%	$ 477,000	40%	$ 238,500	20%	$ 238,500	20%
EVP & CFO	475,000	65%	255,000	35%	127,500	17.5%	127,500	17.5%
SVP & General Counsel	269,000	70%	115,000	30%	57,500	15%	57,500	15%

The higher at-risk target percentage for the CEO as compared to the other executive officers is based on the Company s at-risk philosophy, and his role as CEO of the Company. Likewise the CFO s position has a higher percentage as compared to the Senior VP and General Counsel, based on his responsibilities. Typically near the beginning of each fiscal year, the Committee determines the evaluation criteria, sets performance targets and approves the minimum and maximum multipliers which will be applied to the targets to determine payments under both plans. The Committee approves the performance targets after reviewing the Company s business plans and determining the key short-term business metrics on which the Company s senior management should focus on most in order to drive results. Because of the broad responsibilities of the executive officers, their targets are tied to Company-wide measures.

In determining the fiscal 2010 combined ICP and PCP bonus target for the CEO, the Committee considered the actual total cash compensation of the CEO compared to the market rate and the bonus target percentage for this position, in conjunction with the increase in base salary.

During the first quarter of fiscal 2010, the Committee agreed to measure 50% of the bonus target (the ICP bonus) against the earnings per share target (defined below), and measure the other 50% of the bonus target (the PCP bonus) against (i) the achievement of the cash flow target (defined below) (weighted at 35%); and (ii) the execution of individual objectives (weighted at 15%), which were established by the Committee in consultation with the Lead Director at the beginning of fiscal 2010.

The fiscal 2008 report of the Compensation Consultant, updated as described above, reflected that the Company s short-term bonus target percentages (ICP and PCP combined targets) were generally in line with the market median levels for the Manufacturing Survey Companies. The Peer Survey Companies had a larger portion of total direct compensation allocated to long-term incentives, hence their cash compensation percentages were lower.

For the fiscal 2010 short term cash bonus plans (the ICP and PCP), the Committee approved the following targets and evaluation matrices:

ICP Earnings Per Share

						Target					
EPS	$ 1.43	$ 1.48	$ 1.53	$ 1.58	$ 1.63	$ 1.68	$ 1.73	$ 1.78	$ 1.83	$ 1.88	$ 1.93
Centerpoint Multipliers	0.20	0.36	0.52	0.68	0.84	1.00	1.20	1.40	1.60	1.80	2.00

PCP Cash Flow (dollars in millions)

						Target					
Cash Flow	$ 64.5	$ 66.0	$ 67.5	$ 69.0	$ 70.5	$ 72.0	$ 73.5	$ 75.0	$ 76.5	$ 78.0	$ 79.5
Centerpoint Multipliers	0.20	0.36	0.52	0.68	0.84	1.00	1.20	1.40	1.60	1.80	2.00

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The targets in these matrices were determined at the beginning of the fiscal year on the basis of subsidiary projections with senior management review. The Committee also considered the uncertainty of the economy at the time the targets were established.

For the ICP, the Committee approved the use of earnings per share as the evaluation criterion. The centerpoint was the earnings per share target of $1.68. The maximum of the range was a 15% improvement over the target. This was deemed to be significantly challenging in the current economic environment. The steps above the target multiplier of 1.0 increased by .20 for each step above target; below the target multiplier, the steps decreased at a rate of .16 for each step. The higher multiplier above target was reflective of the difficulty in achieving such increased earnings per share and was rewarded accordingly. The matrix provided for a payment equal to 1.0 times the target if the earnings per share target of $1.68 was achieved. At the end of the year, the actual earnings per share was $1.68, which was the target. This resulted in a multiplier of 1.0 being applied to the ICP target bonus.

For the PCP, the Committee approved two criteria. One was cash flow (weighted @ 70%) with a target of $72 million (the cash flow target), which is the centerpoint of the cash flow range. Cash flow is defined as cash generated from operations at the subsidiary level excluding corporate cash activity (debt and interest payments, acquisitions and divestitures, tax payments, pension contributions, stock option exercises and corporate general administrative expenses). This measure is considered a non-GAAP financial measure. The second criterion was individual objectives (weighted @ 30%) measured against subjective strategic management objectives. For the cash flow matrix, there was a decrease of .16 in the applied multiplier for each step below the 1.0 target multiplier. On the upside, there was an increase of .20 in the multiplier for each step above the target multiplier. At the end of the year, the actual cash flow was $87.1 million. This resulted in a multiplier of 2.0 being applied to the portion of the PCP bonus associated with the cash flow target for the determination of the PCP bonus payment. This was the top step on the matrix.

The FY 2010 individual performance objectives of the executive officers were approved by the Chairman and CEO except with respect to his own, which were approved by the Lead Director. Specific objectives were assigned weightings based on their importance by each executive officer and then evaluated on a subjective basis at the end of the year by each Executive Officer and then the Chairman and CEO. The objectives are focused on key short-term strategic factors, such as operational matters, legal matters, acquisitions, divestitures, cost savings and other issues. The Lead Director evaluated the CEO s objectives. The objectives were deemed to be significantly challenging for the individuals and necessary for the continuing success of the company. The individual multiplier for the individual performance targets ranged from 0 to 1.0 times the target cash compensation based on the subjective evaluation of objective attainment. The actual score for the CEO for fiscal 2010 for his individual objectives was .1395, and the score for the other non-executive officers was .15. This resulted in a multiplier of .93 for the CEO and 1.0 for the other executive officers being applied to the portion of the PCP associated with the individual objectives

Long-Term Equity Incentive Compensation The Committee historically has granted LTI in the form of performance-accelerated restricted shares (PARS) and/or stock options. Based principally on sensitivity to Stockholder concerns with stock option dilution and as it did in fiscal 2009, in fiscal 2010 the Committee allocated the full LTI compensation to PARS. PARS are distributed in shares of stock and typically have a performance period of five years. Generally, the PARS award may be distributed no earlier than 3.5 years after the award, if the target stock price is achieved. The Committee believes that the Company s performance will reflect the contributions of management within the 3.5 year timeframe. If the target stock price is not achieved, the PARS award will be distributed at the end of the performance period, if the employee is still employed. The value of PARS fluctuates directly with changes in the price of stock, which ties executives interests directly to those of Stockholders. For executive officers, these awards also contain a two-year non-compete period after the expiration of the earning period of the awards, which provides additional Stockholder protection. Until such shares are earned and distributed, executive officers are not eligible to receive dividends.

In line with the Company s pay for performance philosophy, the Committee determined the total amount of LTI to grant to each executive officer based on its review of the value of such LTI awards for similar executive level positions, taking into consideration the annual market rate and then subjectively adjusting based on the Committee s assessment of the relative value and performance of each individual or, in the case of the CEO, the Company s fiscal 2009 financial performance, the relative Stockholder return and the market rate value of similar incentive awards to CEOs. In October 2009, the Committee granted the executive officers equity awards in the form of PARS with an

October 2011 September 2014 performance period. The historic target LTI is generally one times total target cash compensation for the CEO and approximately 75% of total cash compensation for the Executive VP and CFO and 60% of total cash compensation for the Senior VP and General Counsel. The LTI targets were established by the Committee utilizing its assessment of the market data. For fiscal 2010, in line with other cost-cutting measures made across the Company, the CEO recommended that these amounts be decreased from their historic target levels. The Peer Survey Companies are significantly larger than the Company, as are their LTI awards, hence the Committee looked at both the Manufacturing Survey Companies and the Peer Survey Companies and made adjustments based on the Company s size. The award to the CEO was below the Committee s target of one times the CEO s annual total cash compensation and fell below the median market rate. Likewise, the LTI awards for the Executive VP and CFO and the Senior VP and General Counsel also fell below the median market rate.

The 2010 fiscal year awards set the stock price target at $45.00 for the acceleration of the full PARS awards, which was approximately 18% over the then-current share price of $38.16, and for acceleration of 50% of the PARS awards the stock price target was set at $42.00. This increase in the stock price targets was viewed as meaningful and challenging. No portion of these awards may be earned prior to fiscal 2011.

Total Compensation On the basis of the changes outlined above, target total compensation for fiscal year 2010 was set at levels generally equivalent to fiscal year 2009 target total compensation for each executive officer.

The Company does not believe that any risks arising from its compensation policies and practices are reasonably likely to have a material adverse effect on the Company. Any such risk is mitigated by the multiple elements of our compensation programs, including base salary, annual bonus programs, and equity awards which are earned over multiple years. The structure of our senior management short term cash bonus plans, which are based on targets at each subsidiary, encourages decision-making that is in the best long-term interests of the Company and our Stockholders.

Equity Grant Procedures The Company does not coordinate stock option or PARS grants with the release of material, non-public information. Company-wide equity grants, including equity grants to executive officers, are generally awarded on the date of the October or November Committee meeting when other compensation decisions are made. During the year, equity awards are made to new hires, promoted employees or in other special circumstances, generally on the first trading day of the month after hire or the date of the next Committee meeting. Since October 5, 2006, the exercise price of each of the stock option grants has been the market closing price on the grant date. Previously, the Company utilized the average of the high and low prices on the date of grant to determine the stock option grant price. The Committee previously delegated to the Chairman and CEO the authority to grant stock option awards to key employees (other than executive officers) subject to certain limitations.

Other Compensation Elements

Perquisites The Company also provides limited perquisites to the executive officers which have historically included country club membership, annual physical, financial planning and an auto allowance. The Committee annually reviews the types and value of the perquisites provided to the executive officers as part of its overall review of executive compensation. The Committee has determined the perquisites paid in fiscal 2010 to be reasonable.

Stock Ownership Guidelines The Committee has established stock ownership guidelines for the CEO and the other executive officers. The guidelines currently set the minimum level of ownership at five times total cash compensation (base salary and annual cash bonus target) for the CEO and three times total cash compensation for the other executive officers. Newly appointed executive officers are expected to be in compliance with the ownership guidelines within five years of their appointments. Unexercised stock options and unvested PARS are not included in determining the ownership amounts. All executive officers were in compliance at the end of fiscal 2010.

Retirement Benefits Like other employees of the Company, executive officers are eligible for retirement benefits provided through a matched defined contribution program. The CEO and other executive officers are also eligible for a frozen benefit under the defined benefit retirement program, and the CEO and Senior VP and General Counsel are eligible for a frozen benefit under the supplemental executive retirement plan (the SERP). These plans were frozen in December of 2003 for all Company employees. The Company s decision to end the accrual of benefits under the defined benefit retirement program is consistent with the compensation program s lack of emphasis on risk-free or safety-net pay.

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Severance Plan Severance provisions in the event of a change of control benefit a company in the event of a change of control or a potential change of control by allowing executives who are parties to such arrangements to focus on continuing business operations and the success of a potential business combination rather than seeking alternative employment, thereby providing stability to a corporation during a potentially uncertain period. Accordingly, the Committee decided that it was in the Company s best interest to adopt a Severance Plan, effective in 1995, which prescribes the compensation and benefits to be provided in the event of a change of control to certain executives, including the CEO and the other executive officers. The Company s change of control arrangements were designed to provide executives with severance payments and certain other benefits in the event that their employment is terminated in connection with a change of control transaction. The Severance Plan provides severance benefits only if there is both (1) a change of control of the Company and (2) the employee s employment is terminated by the Company (or any successor) without cause or if the employee terminates his or her employment for good reason, in each case within 36 months following a change of control.

If triggered, the executive will be entitled to all accrued, but unpaid compensation, a cash bonus for the year of separation and benefits and a lump sum cash payment, which is designed to replicate the cash compensation (base salary and bonus), plus certain benefits, that the executive would have received had he or she remained employed for two years. The determination of the appropriate level of payments and benefits to be provided in the event of a change of control termination involved consideration of a number of factors. The compensation levels were determined based on a survey of the Company s peers at the time the Severance Plan was adopted by the Company. The Committee considered that a high-level executive, who is more likely to lose his or her job in connection with a change of control than other employees, may require more time than other employees in order to secure an appropriate new position, and, unless that executive was provided with change of control benefits, he or she may be motivated to start a job search early if a change of control is possible, to the detriment of the Company. Thus, the existence of the Severance Plan provides an incentive for the executive to remain with the Company until a change of control occurs. In addition, since payments are not provided under the Severance Plan unless there has been a change of control and a qualifying termination of employment, an acquirer who may wish to retain the Company s management team during or after a transition period will have the opportunity to do so.

In addition, pursuant to the Company s LTI plans, in the event of a change of control, stock option vesting is accelerated to the date of the change of control and earned PARS are distributed at that date. The balance of the PARS are distributed at the end of the fiscal year in which a change of control occurs if the executive is still employed by the Company (or any successor); provided, however, if the executive is involuntarily terminated for reasons other than cause or if the executive terminated his or her employment for good reason, the balance of PARS will be distributed to the executive upon termination of employment.

Employment Agreements for the CEO and Executive Officers The Company has employment agreements (the Agreements) with each of the executive officers. These Agreements exclude separations due to a change of control or termination for cause, and provide for the payment of severance under a predetermined separation agreement, thereby providing for a more amicable separation in circumstances where a business change is warranted. The Agreements automatically renew at the end of each one-year term unless either party gives notice of non-renewal at least 180 days prior to expiration of the then-current term. The Agreements provide for payment of an annual base salary, subject to review for increase at the discretion of the Committee, participation in the Company s PCP and ICP bonus plans, and eligibility for participation in the Company s LTI plans and benefit plans and programs applicable to senior executives, and continuance of certain perquisites. For a specified period of time after a termination, the Agreements prohibit the executive officers from soliciting Company employees or disclosing confidential information. The Agreements also require that the executive officers provide limited consulting services on an as-requested basis following termination. The specifics regarding the cash compensation and benefits provided in the event of a qualifying separation are outlined in the Employment Agreements section on page 25.

The Committee periodically assesses the reasonableness of the Agreements to consider whether any changes are appropriate.

Limit on Deductibility of Certain Compensation Federal income tax law prohibits publicly held companies, such as the Company, from deducting certain compensation paid to an executive officer that exceeds $1 million during the tax year. To the extent that compensation is based upon the attainment of performance goals set by the

Committee pursuant to plans approved by the Stockholders, the compensation is not included in the limit. The Committee intends, to the extent feasible and where it believes it is in the best interests of the Company and its Stockholders, to attempt to qualify executive compensation as tax deductible where it does not adversely affect the Committee s development and execution of effective compensation plans. For example, to enable certain bonuses and long-term compensation to be deductible, the Committee makes these awards under incentive plans approved by Stockholders as much as possible. While the Committee is limited in its ability to make discretionary bonus payments under the ICP, there are no such limitations under the PCP. Gains on stock option exercises may be deductible if granted under a Stockholder approved plan since they are tied to the performance of the Company s stock price. Salaries and other compensation not tied to Company performance are not deductible to the extent they exceed the $1 million limit.

Compensation Recovery Policy The Company s Code of Business Conduct and Ethics reaffirms the importance of high standards of business ethics. Adherence to these standards by all employees is the best way to ensure compliance and secure public confidence and support. All employees are responsible for their actions and for conducting themselves with integrity. Any failure on the part of any employee to meet any of the standards embodied in this Code will be subject to disciplinary action, including potential dismissal.

In 2010 the Company adopted a Compensation Recovery Policy that provides that when appropriate, and in accordance with applicable law, the Company may recover any Recoverable Compensation received during a prescribed period of up to three years if an executive or other senior officer of the Company or any of its affiliates:

1) Engaged in intentional misconduct resulting in a financial restatement or in any increase in his or her incentive or equity income, or

2) Engaged in activity that competes with the Company or its affiliated companies in violation of any non-compete agreements entered into by such employee, or

3) Solicits customers or hires or assists anyone else in soliciting or hiring employees of the Company or its affiliates after termination of employment or engages in the unauthorized disclosure or use of the Company s confidential information resulting in harm to the Company or its affiliates, in any case in violation of agreements entered into by such employee prohibiting such actions.

Recoverable Compensation is defined to include: any equity and incentive compensation received, exercised, earned or distributed to or by an executive or senior officer, including amounts and shares under any equity or compensation plan or employment agreement.

The Company has previously included recoupment, non-compete and clawback provisions in PARS and stock option agreements for certain participants. Where not previously included, the above provisions will be added to all new risk-based compensation awards. This policy does not prevent the Company from taking other actions as appropriate, if warranted, based on the misconduct outlined above.

COMPENSATION COMMITTEE REPORT

The Human Resources and Compensation Committee has reviewed and discussed with management the Company s disclosures under Compensation Discussion and Analysis beginning on page 13 of this proxy statement.

Based on such review and discussion, the Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference in the Company s annual report on Form 10-K for the fiscal year ended September 30, 2010 for filing with the SEC.

The Human Resources and
Compensation Committee

J.D. Woods, Chairman
L.W. Solley
D.C. Trauscht

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Summary Compensation Table

The following table contains information concerning compensation for fiscal 2010 for all services rendered in all capacities to the Company and its subsidiaries of the executive officers serving at September 30, 2010.

Name and Principal Position	Fiscal Year	Salary $	Bonus $(1)	Stock Awards ($)(2)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)(3)	Change in Pension Value & Nonqualified Deferred Compensation Earnings ($)(4)	All Other Compensation ($)(5)	Total $
V.L. Richey, Jr.	2010	$ 712,000	$ 0	$ 1,070,006	$ 0	$ 638,942	$ 56,729	$ 80,775	$ 2,558,452
Chairman, Chief	2009	675,000	0	1,124,999	0	486,000	116,905	78,417	2,481,321
Executive	2008	615,000	0	1,020,042	0	550,800	0	74,268	2,260,110
Officer & President									
G.E. Muenster	2010	475,000	0	439,985	0	344,250	27,887	39,606	1,326,728
Executive Vice	2009	450,000	60,000	519,929	0	271,950	57,164	52,916	1,411,959
President & Chief	2008	398,524	0	500,371	0	278,000	0	40,179	1,217,074
Financial Officer									
A.S. Barclay	2010	269,000	0	191,983	0	155,250	36,520	53,376	706,129
Senior Vice	2009	253,000	40,000	216,981					
President,									