

PENTAIR INC
Form 10-Q
October 26, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended October 1, 2011

OR

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

Commission file number 000-04689

Pentair, Inc.

(Exact name of Registrant as specified in its charter)

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Minnesota
(State or other jurisdiction of

41-0907434
(I.R.S. Employer

incorporation or organization)

Identification number)

5500 Wayzata Blvd, Suite 800, Golden Valley, Minnesota
(Address of principal executive offices)

55416
(Zip code)

Registrant's telephone number, including area code: (763) 545-1730

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§223.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

On October 1, 2011, 98,566,023 shares of Registrant's common stock were outstanding.

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Pentair, Inc. and Subsidiaries

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Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****Pentair, Inc. and Subsidiaries****Condensed Consolidated Statements of Income (Unaudited)**

<i>In thousands, except per-share data</i>	Three months ended		Nine months ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Net sales	\$ 890,546	\$ 773,735	\$ 2,590,994	\$ 2,276,915
Cost of goods sold	618,484	537,193	1,782,137	1,578,503
Gross profit	272,062	236,542	808,857	698,412
Selling, general and administrative	159,068	128,854	462,260	392,787
Research and development	20,091	16,865	58,095	51,075
Operating income	92,903	90,823	288,502	254,550
Other (income) expense:				
Equity income of unconsolidated subsidiaries	(574)	(347)	(1,481)	(1,806)
Net interest expense	17,373	8,953	41,311	27,049
Income from continuing operations before income taxes and noncontrolling interest	76,104	82,217	248,672	229,307
Provision for income taxes	24,050	26,488	76,447	75,937
Income from continuing operations	52,054	55,729	172,225	153,370
Gain on disposal of discontinued operations, net of tax		549		1,666
Net income before noncontrolling interest	52,054	56,278	172,225	155,036
Noncontrolling interest	962	1,228	3,880	3,584
Net income attributable to Pentair, Inc.	\$ 51,092	\$ 55,050	\$ 168,345	\$ 151,452
Net income from continuing operations attributable to Pentair, Inc.	\$ 51,092	\$ 54,501	\$ 168,345	\$ 149,786
Earnings per common share attributable to Pentair, Inc.				
Basic				
Continuing operations	\$ 0.52	\$ 0.55	\$ 1.71	\$ 1.53
Discontinued operations		0.01		0.01
Basic earnings per common share	\$ 0.52	\$ 0.56	\$ 1.71	\$ 1.54
Diluted				
Continuing operations	\$ 0.51	\$ 0.55	\$ 1.69	\$ 1.51
Discontinued operations				0.01
Diluted earnings per common share	\$ 0.51	\$ 0.55	\$ 1.69	\$ 1.52
Weighted average common shares outstanding				
Basic	98,472	98,298	98,228	98,105

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Diluted	99,802	99,514	99,759	99,326
Cash dividends declared per common share	\$ 0.20	\$ 0.19	\$ 0.60	\$ 0.57

See accompanying notes to condensed consolidated financial statements.

Table of Contents**Pentair, Inc. and Subsidiaries****Condensed Consolidated Balance Sheets (Unaudited)**

<i>In thousands, except share and per-share data</i>	October 1, 2011	December 31, 2010	October 2, 2010
Assets			
Current assets			
Cash and cash equivalents	\$ 52,665	\$ 46,056	\$ 56,995
Accounts and notes receivable, net	556,688	516,905	490,221
Inventories	459,916	405,356	410,072
Deferred tax assets	61,411	56,349	50,991
Prepaid expenses and other current assets	147,568	44,631	48,555
Total current assets	1,278,248	1,069,297	1,056,834
Property, plant and equipment, net			
	394,922	329,435	327,602
Other assets			
Goodwill	2,516,692	2,066,044	2,070,911
Intangibles, net	619,262	453,570	461,378
Other	73,319	55,187	56,033
Total other assets	3,209,273	2,574,801	2,588,322
Total assets	\$ 4,882,443	\$ 3,973,533	\$ 3,972,758
Liabilities and Shareholders' Equity			
Current liabilities			
Short-term borrowings	\$ 29,705	\$ 4,933	\$ 4,180
Current maturities of long-term debt	1,194	18	37
Accounts payable	281,448	262,357	266,416
Employee compensation and benefits	117,538	107,995	100,626
Current pension and post-retirement benefits	8,733	8,733	8,948
Accrued product claims and warranties	43,920	42,295	40,783
Income taxes	26,283	5,964	22,202
Accrued rebates and sales incentives	45,231	33,559	39,066
Other current liabilities	163,550	80,942	90,286
Total current liabilities	717,602	546,796	572,544
Other liabilities			
Long-term debt	1,317,454	702,521	673,265
Pension and other retirement compensation	190,221	209,859	219,463
Post-retirement medical and other benefits	26,933	30,325	28,506
Long-term income taxes payable	23,891	23,507	23,857
Deferred tax liabilities	228,737	169,198	147,772
Other non-current liabilities	79,489	86,295	93,681
Total liabilities	2,584,327	1,768,501	1,759,088
Commitments and contingencies			
Shareholders' equity			
Common shares par value \$0.16 2/3; 98,566,023, 98,409,192 and 98,960,604 shares issued and outstanding, respectively	16,427	16,401	16,493

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Additional paid-in capital	481,028	474,489	489,028
Retained earnings	1,733,281	1,624,605	1,597,110
Accumulated other comprehensive loss	(48,039)	(22,342)	(4,955)
Noncontrolling interest	115,419	111,879	115,994
Total shareholders' equity	2,298,116	2,205,032	2,213,670
Total liabilities and shareholders' equity	\$ 4,882,443	\$ 3,973,533	\$ 3,972,758

See accompanying notes to condensed consolidated financial statements.

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

<i>In thousands</i>	Nine months ended	
	October 1, 2011	October 2, 2010
Operating activities		
Net income before noncontrolling interest	\$ 172,225	\$ 155,036
Adjustments to reconcile net income to net cash provided by (used for) operating activities		
Gain on disposal of discontinued operations		(1,666)
Equity income of unconsolidated subsidiaries	(1,481)	(1,806)
Depreciation	49,079	43,141
Amortization	29,807	19,742
Deferred income taxes	4,445	4,866
Stock compensation	14,695	16,598
Excess tax benefits from stock-based compensation	(3,137)	(2,193)
Loss on sale of assets	702	166
Changes in assets and liabilities, net of effects of business acquisitions and dispositions		
Accounts and notes receivable	22,657	(36,216)
Inventories	15,633	(49,822)
Prepaid expenses and other current assets	(26,380)	(1,476)
Accounts payable	(45,759)	60,162
Employee compensation and benefits	(12,334)	21,600
Accrued product claims and warranties	115	6,556
Income taxes	18,045	18,013
Other current liabilities	46,924	15,493
Pension and post-retirement benefits	(23,636)	(15,197)
Other assets and liabilities	(21,041)	(3,754)
Net cash provided by (used for) operating activities	240,559	249,243
Investing activities		
Capital expenditures	(53,063)	(42,981)
Proceeds from sale of property and equipment	139	340
Acquisitions, net of cash acquired	(733,105)	
Other	(441)	(1,232)
Net cash provided by (used for) investing activities	(786,470)	(43,873)
Financing activities		
Net short-term borrowings	24,772	1,975
Proceeds from long-term debt	1,370,423	493,821
Repayment of long-term debt	(771,793)	(624,007)
Debt issuance costs	(8,973)	(50)
Excess tax benefits from stock-based compensation	3,137	2,193
Stock issued to employees, net of shares withheld	11,788	7,861
Repurchases of common stock	(12,785)	(2,786)
Dividends paid	(59,669)	(56,584)
Net cash provided by (used for) financing activities	556,900	(177,577)
Effect of exchange rate changes on cash and cash equivalents	(4,380)	(4,194)
Change in cash and cash equivalents	6,609	23,599
Cash and cash equivalents, beginning of period	46,056	33,396

Cash and cash equivalents, end of period	\$ 52,665	\$ 56,995
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See accompanying notes to condensed consolidated financial statements.

Table of Contents**Pentair, Inc.****Condensed Consolidated Statements of Changes in Shareholders Equity (Unaudited)**

<i>In thousands, except share and per-share data</i>	Common shares		Additional paid-in	Retained	Accumulated other comprehensive income (loss)	Total	Noncontrolling	Comprehensive income attributable to Pentair, Inc.	
	Number	Amount	capital	earnings	Pentair, Inc.	interest	Total		
Balance - December 31, 2010	98,409,192	\$ 16,401	\$ 474,489	\$ 1,624,605	\$ (22,342)	\$ 2,093,153	\$ 111,879	\$ 2,205,032	
Net income				168,345		168,345	3,880	172,225	\$ 168,345
Change in cumulative translation adjustment					(29,263)	(29,263)	(340)	(29,603)	(29,263)
Changes in market value of derivative financial instruments, net of \$2,303 tax					3,566	3,566		3,566	3,566
Comprehensive income									\$ 142,648
Cash dividends - \$0.60 per common share				(59,669)		(59,669)		(59,669)	
Share repurchase	(397,126)	(66)	(12,719)			(12,785)		(12,785)	
Exercise of stock options, net of 181,648 shares tendered for payment	601,207	100	13,091			13,191		13,191	
Issuance of restricted shares, net of cancellations	27,532	5	1,417			1,422		1,422	
Amortization of restricted shares			743			743		743	
Shares surrendered by employees to pay taxes	(74,782)	(13)	(2,752)			(2,765)		(2,765)	
Stock compensation			6,759			6,759		6,759	
Balance - October 1, 2011	98,566,023	\$ 16,427	\$ 481,028	\$ 1,733,281	\$ (48,039)	\$ 2,182,697	\$ 115,419	\$ 2,298,116	

<i>In thousands, except share and per-share data</i>	Common shares		Additional paid-in	Retained	Accumulated other comprehensive income (loss)	Total	Noncontrolling	Comprehensive income (loss) attributable to Pentair, Inc.	
	Number	Amount	capital	earnings	Pentair, Inc.	interest	Total		
Balance - December 31, 2009	98,655,506	\$ 16,442	\$ 472,807	\$ 1,502,242	\$ 20,597	\$ 2,012,088	\$ 114,252	\$ 2,126,340	
Net income				151,452		151,452	3,584	155,036	\$ 151,452
Change in cumulative translation adjustment					(24,185)	(24,185)	(1,842)	(26,027)	(24,185)
Changes in market value of derivative financial instruments, net of (\$851) tax					(1,367)	(1,367)		(1,367)	(1,367)
Comprehensive income (loss)									\$ 125,900
Cash dividends - \$0.57 per common share				(56,584)		(56,584)		(56,584)	

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Share repurchases	(84,500)	(14)	(2,772)		(2,786)		(2,786)	
Exercise of stock options, net of 27,177 shares tendered for payment	535,767	89	11,811		11,900		11,900	
Issuance of restricted shares, net of cancellations	(7,689)	(1)	625		624		624	
Amortization of restricted shares			2,878		2,878		2,878	
Shares surrendered by employees to pay taxes	(138,480)	(23)	(4,639)		(4,662)		(4,662)	
Stock compensation			8,318		8,318		8,318	
Balance - October 2, 2010	98,960,604	\$ 16,493	\$ 489,028	\$ 1,597,110	\$ (4,955)	\$ 2,097,676	\$ 115,994	\$ 2,213,670

See accompanying notes to condensed consolidated financial statements

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Pentair, Inc. and Subsidiaries

Notes to condensed consolidated financial statements (unaudited)

1. Basis of Presentation and Responsibility for Interim Financial Statements

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

We are responsible for the unaudited financial statements included in this document. The financial statements include all normal recurring adjustments that are considered necessary for the fair presentation of our financial position and operating results. As these are condensed financial statements, one should also read our consolidated financial statements and notes thereto for the year ended December 31, 2010, which are included in our Current Report on Form 8-K dated May 2, 2011.

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

Our fiscal year ends on December 31. We report our interim quarterly periods on a 13-week basis ending on a Saturday.

In connection with preparing the unaudited condensed consolidated financial statements for the nine months ended October 1, 2011, we have evaluated subsequent events for potential recognition and disclosure through the date of this filing.

2. New Accounting Standards

In June 2011, the Financial Accounting Standards Board (FASB) amended its guidance on the presentation of comprehensive income in financial statements to improve the comparability, consistency and transparency of financial reporting and to increase the prominence of items that are recorded in other comprehensive income. The new accounting guidance requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. The provisions of this new guidance are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011.

There were no other new accounting pronouncements issued or effective during the nine months ended of 2011 that have had or are expected to have a material impact on the Condensed Consolidated Financial Statements.

3. Stock-based Compensation

Total stock-based compensation expense was \$4.2 million for each of the three months ended October 1, 2011 and October 2, 2010, and was \$14.7 million and \$16.6 million for the nine months ended October 1, 2011 and October 2, 2010, respectively.

During the first nine months of 2011, restricted shares and restricted stock units of our common stock were granted under the 2008 Omnibus Stock Incentive Plan to eligible employees with a vesting period of three to four years after issuance. Restricted share awards and restricted stock units are valued at market value on the date of grant and are typically expensed over the vesting period. Total compensation expense for restricted share awards and restricted stock units was \$2.2 million and \$1.8 million for the three months ended October 1, 2011 and October 2, 2010, respectively, and was \$8.0 million and \$8.3 million for the nine months ended October 1, 2011 and October 2, 2010, respectively.

During the first nine months of 2011, option awards were granted under the 2008 Omnibus Stock Incentive Plan with an exercise price equal to the market price of our common stock on the date of grant. Option awards are typically expensed over the vesting period. Total compensation expense for stock option awards was \$2.0 million and \$2.4 million for the three months ended October 1, 2011 and October 2, 2010, respectively, and \$6.7 million and \$8.3 million for the nine months ended October 1, 2011 and October 2, 2010, respectively.

We estimated the fair value of each stock option award on the date of grant using a Black-Scholes option pricing model, modified for dividends and using the following assumptions:

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	October 1, 2011	October 2, 2010
Expected stock price volatility	35.5%	35.0%
Expected life	5.5yrs	5.5yrs
Risk-free interest rate	1.84%	1.54%
Dividend yield	2.06%	2.33%

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The weighted-average fair value of options granted during the third quarter of 2011 and 2010 were \$10.00 and \$8.74 per share, respectively.

These estimates require us to make assumptions based on historical results, observance of trends in our stock price, changes in option exercise behavior, future expectations and other relevant factors. If other assumptions had been used, stock-based compensation expense, as calculated and recorded under the accounting guidance, could have been affected.

We based the expected life assumption on historical experience as well as the terms and vesting periods of the options granted. For purposes of determining expected volatility, we considered a rolling average of historical volatility measured over a period approximately equal to the expected option term. The risk-free rate for periods that coincide with the expected life of the options is based on the U.S. Treasury Department yield curve in effect at the time of grant.

4. Earnings Per Common Share

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

<i>In thousands</i>	Three months ended		Nine months ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Weighted average common shares outstanding basic	98,472	98,298	98,228	98,105
Dilutive impact of stock options and restricted stock	1,330	1,216	1,531	1,221
Weighted average common shares outstanding diluted	99,802	99,514	99,759	99,326
Stock options excluded from the calculation of diluted earnings per share because the exercise price was greater than the average market price of the common shares	3,078	4,088	2,143	3,761

5. Restructuring

Restructuring accrual activity recorded on the Condensed Consolidated Balance Sheets is summarized as follows for the nine months ended October 1, 2011 and October 2, 2010 and year ended December 31, 2010:

<i>In thousands</i>	October 1, 2011	December 31, 2010	October 2, 2010
Beginning balance	\$ 3,994	\$ 14,509	\$ 14,509
Cash payments and other	(1,274)	(10,515)	(7,524)
Ending balance	\$ 2,720	\$ 3,994	\$ 6,985

6. Acquisitions

On May 12, 2011, we acquired as part of our Water Group the Clean Process Technologies (CPT) division of privately held Norit Holding B.V. for \$715.3 million (502.7 million translated at the May 12, 2011 exchange rate). CPT 's results of operations have been included in our consolidated financial statements since the date of acquisition. CPT is a global leader in membrane solutions and clean process technologies in the high growth water and beverage filtration and separation segments. CPT provides sustainable purification systems and solutions for desalination, water reuse, industrial applications and beverage segments that effectively address the increasing challenges of clean water

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scarcity, rising energy costs and pollution. CPT's product offerings include innovative ultrafiltration and nanofiltration membrane technologies, aseptic valves, CO₂ recovery and control systems and specialty pumping equipment. Based in the Netherlands, CPT has broad sales diversity with the majority of 2010 revenues generated in European Union countries and Asia-Pacific region.

The fair value of the business acquired was allocated to the assets acquired and liabilities assumed based on their estimated fair values. The excess of the fair value acquired over the identifiable assets acquired and liabilities assumed is reflected as goodwill. Goodwill recorded as part of the purchase price allocation was \$451.8 million, none of which is tax deductible. Identifiable intangible assets

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acquired as part of the acquisition were \$197.2 million, including definite-lived intangibles, such as customer relationships, proprietary technology and trade names with a weighted average amortization period of approximately 10 years.

The CPT business records certain long term contracts under the percentage-of-completion method of accounting. Under this method, sales and gross profit are recognized as work is performed based on the relationship between actual costs incurred and total estimated costs at completion. We record costs and earnings in excess of billings on uncompleted contracts within *Prepaid expenses and other current assets* and billings in excess of costs and earnings on uncompleted contracts within *Other current liabilities* in the Condensed Consolidated Balance Sheets. Amounts included in *Prepaid expenses and other current assets* related to these contracts were \$55.6 million at October 1, 2011. Amounts included in *Other current liabilities* related to these contracts were \$16.9 million at October 1, 2011.

The total purchase price has been allocated to the estimated fair values of assets acquired and liabilities assumed as follows:

<i>(in thousands)</i>	
Accounts and notes receivable	\$ 70,038
Inventories	60,382
Deferred tax assets	4,926
Prepaid expenses and other current assets	40,252
Property, plant and equipment	69,010
Goodwill	451,809
Intangibles	197,231
Accounts payable	(41,061)
Income taxes	(3,937)
Other current liabilities	(59,229)
Long-term debt	(17,041)
Deferred tax liabilities	(57,069)
Purchase Price	\$ 715,311

CPT's net sales and loss from continuing operations for the period from the acquisition date to October 1, 2011 were \$142.2 million and \$2.9 million, respectively, and include \$11.1 million of non-recurring expenses for acquisition date fair value adjustments related to inventory and customer backlog.

The following pro forma consolidated condensed financial results of operations are presented as if the acquisitions described above had been completed at the beginning of each period presented:

	Three months ended		Nine months ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
<i>In thousands, except share and per-share data</i>				
Pro forma net sales	\$ 890,546	\$ 838,968	\$ 2,712,770	\$ 2,485,913
Pro forma income from continuing operations	56,287	48,404	181,366	133,122
Gain on disposal of discontinued operations, net of tax		549		1,666
Pro forma net income from continuing operations attributable to Pentair, Inc.	55,325	47,176	177,486	129,528
Pro forma earnings per common share - continuing operations				
Basic	\$ 0.56	\$ 0.48	\$ 1.81	\$ 1.32

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Diluted	\$ 0.55	\$ 0.47	\$ 1.78	\$ 1.30
Weighted average common shares outstanding				
Basic	98,472	98,298	98,228	98,105
Diluted	99,802	99,514	99,759	99,326

The 2010 unaudited pro forma net income was adjusted to include the impact of approximately \$7.4 million and \$12.9 million for the three and nine months ended October 2, 2010, respectively, in non-recurring items related to acquisition date fair value adjustments to inventory and customer backlog. The 2011 unaudited pro forma net income was adjusted to exclude the impact of these items.

Acquisition-related transaction costs of approximately \$7.8 million associated with the CPT acquisition were excluded from the pro forma net income in each of the 2011 and 2010 periods presented.

These pro forma condensed consolidated financial results have been prepared for comparative purposes only and include certain adjustments, such as increased interest expense on acquisition debt. They do not reflect the effect of costs or synergies that would have been expected to result from the integration of the acquisition. The pro forma information does not purport to be indicative of the results of operations that actually would have resulted had the combination occurred at the beginning of each period presented, or of future results of the consolidated entities.

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On January 31, 2011 we acquired as part of our Water Group all of the outstanding shares of capital stock of Hidro Filtros do Brasil (Hidro Filtros) for cash of \$14.9 million and a note payable of \$2.1 million. The Hidro Filtros results of operations have been included in our consolidated financial statements since the date of acquisition. Hidro Filtros is a leading manufacturer of water filters and filtering elements for residential and industrial applications operating in Brazil and neighboring countries. Goodwill recorded as part of the purchase price allocation was \$10.1 million, none of which is tax deductible. Identified intangible assets acquired as part of the acquisition were \$6.3 million including definite-lived intangibles, primarily customer relationships of \$5.5 million, with an estimated life of 13 years. The proforma impact of this acquisition was deemed to be not material.

Additionally, during the first nine months of 2011, we completed other small acquisitions with purchase prices totaling \$4.6 million, consisting of \$2.9 million in cash and \$1.7 million as a note payable, adding to our Water Group. Total goodwill recorded as part of the purchase price allocation was \$4.3 million, none of which is tax deductible. The proforma impact of these acquisitions was deemed to be not material.

Total transaction costs related to acquisition activities for the nine months ended October 1, 2011 were \$7.8 million, which were expensed as incurred and recorded in *Selling, general and administrative* in our Condensed Consolidated Statements of Income.

7. Inventories

Inventories were comprised of:

<i>In thousands</i>	October 1, 2011	December 31, 2010	October 2, 2010
Raw materials and supplies	\$ 236,159	\$ 223,482	\$ 222,964
Work-in-process	49,393	37,748	42,780
Finished goods	174,364	144,126	144,328
Total inventories	\$ 459,916	\$ 405,356	\$ 410,072

8. Goodwill and Other Identifiable Intangible Assets

The changes in the carrying amount of goodwill by segment were as follows:

<i>In thousands</i>	December 31, 2010	Acquisitions/ Divestitures	Foreign Currency Translation/Other	October 1, 2011
Water Group	\$ 1,784,100	\$ 466,182	\$ (15,961)	\$ 2,234,321
Technical Products Group	281,944		427	282,371
Consolidated Total	\$ 2,066,044	\$ 466,182	\$ (15,534)	\$ 2,516,692

<i>In thousands</i>	December 31, 2009	Acquisitions/ Divestitures	Foreign Currency Translation/Other	October 2, 2010
Water Group	\$ 1,802,913	\$	\$ (14,754)	\$ 1,788,159
Technical Products Group	285,884		(3,132)	282,752

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Consolidated Total	\$ 2,088,797	\$	\$ (17,886)	\$ 2,070,911
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Table of Contents***Pentair, Inc. and Subsidiaries******Notes to condensed consolidated financial statements (unaudited)***

The detail of acquired intangible assets consisted of the following:

<i>In thousands</i>	October 1, 2011			December 31, 2010			October 2, 2010		
	Gross carrying amount	Accumulated amortization	Net	Gross carrying amount	Accumulated amortization	Net	Gross carrying amount	Accumulated amortization	Net
Finite-life intangibles									
Patents	\$ 5,893	\$ (3,908)	\$ 1,985	\$ 15,469	\$ (12,695)	\$ 2,774	\$ 15,462	\$ (12,400)	\$ 3,062
Proprietary technology	131,972	(37,094)	94,878	74,176	(29,862)	44,314	74,102	(28,306)	45,796
Customer relationships	366,540	(102,919)	263,621	282,479	(82,901)	199,578	283,313	(78,461)	204,852
Trade names	1,537	(500)	1,037	1,532	(383)	1,149	1,538	(345)	1,193
Total finite-life intangibles	\$ 505,942	\$ (144,421)	\$ 361,521	\$ 373,656	\$ (125,841)	\$ 247,815	\$ 374,415	\$ (119,512)	\$ 254,903
Indefinite-life intangibles									
Trade names	257,741		257,741	205,755		205,755	206,475		206,475
Total intangibles, net	\$ 763,683	\$ (144,421)	\$ 619,262	\$ 579,411	\$ (125,841)	\$ 453,570	\$ 580,890	\$ (119,512)	\$ 461,378

Intangible asset amortization expense was approximately \$12.6 million and \$6.3 million for the three months ended October 1, 2011 and October 2, 2010, respectively, and was approximately \$29.8 million and \$18.1 million for the nine months ended October 1, 2011 and October 2, 2010, respectively.

The estimated future amortization expense for identifiable intangible assets during the remainder of 2011 and the next five years is as follows:

<i>In thousands</i>	2011 Q4	2012	2013	2014	2015	2016
Estimated amortization expense	\$ 12,183	\$ 39,853	\$ 39,688	\$ 39,314	\$ 39,032	\$ 38,050

9. Debt

Debt and the average interest rates on debt outstanding are summarized as follows:

<i>In thousands</i>	Average interest rate October 1, 2011	Maturity (Year)	October 1, 2011	December 31, 2010	October 2, 2010
Revolving credit facilities - USD	1.98%	2016	\$ 127,600	\$ 97,500	\$ 68,200
Revolving credit facilities - EUR	2.94%	2016	54,385		
Private placement - fixed rate	5.65%	2013-2017	400,000	400,000	400,000
Private placement - floating rate	0.82%	2012-2013	205,000	205,000	205,000

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Public - fixed rate	5.00%	2021	500,000		
Other	3.58%	2011-2016	61,368	4,972	4,282
Total debt, including current portion			1,348,353	707,472	677,482
Less: Current maturities			(1,194)	(18)	(37)
Short-term borrowings			(29,705)	(4,933)	(4,180)
Long-term debt			\$ 1,317,454	\$ 702,521	\$ 673,265

The fair value of total debt excluding the deferred gain on interest rate swaps was \$1,400.1 million, \$745.9 million and \$712.4 million as of October 1, 2011, December 31, 2010 and October 2, 2010, respectively.

On May 9, 2011, we completed a public offering of \$500 million aggregate principal amount of our 5.00% Senior Notes due 2021 (the Notes). The Notes are guaranteed by certain of our wholly-owned domestic subsidiaries that are also guarantors under our primary bank credit facility. We used the net proceeds from the offering of the Notes to finance in part the CPT acquisition.

Table of Contents***Pentair, Inc. and Subsidiaries******Notes to condensed consolidated financial statements (unaudited)***

On April 28, 2011, we entered into a Fourth Amended and Restated Credit Agreement (the Credit Facility). The Credit Facility replaced our previous \$800 million revolving credit facility. The Credit Facility creates an unsecured, committed credit facility of up to \$700 million, with multi-currency sub facilities to support investments outside the U.S. The Credit Facility expires on April 28, 2016. Borrowings under the Credit Facility currently bear interest at the rate of London Interbank Offered Rate (LIBOR) plus 1.75%. Interest rates and fees on the Credit Facility will vary based on our credit ratings. We used borrowings under the Credit Facility to fund a portion of the CPT acquisition and to fund ongoing operations.

Total availability under our existing Credit Facility was \$518.0 million as of October 1, 2011, which was not limited by any of the credit agreement's financial covenants as of that date.

Our debt agreements contain certain financial covenants, the most restrictive of which is a leverage ratio (total consolidated indebtedness, as defined, over consolidated net income before interest, taxes, depreciation, amortization and non-cash compensation expense, as defined) that may not exceed 3.75 to 1.0 as of October 1, 2011 and 3.5 to 1.0 as of the last date of each of our fiscal quarters thereafter. We were in compliance with all financial covenants in our debt agreements as of October 1, 2011.

In addition to the Credit Facility, we have various other credit facilities with an aggregate availability of \$76.0 million, of which \$40.0 million was outstanding at October 1, 2011. Borrowings under these credit facilities bear interest at variable rates. Additionally, as part of the CPT acquisition we assumed certain capital leases with an outstanding balance of \$18.1 million at October 1, 2011.

We have \$105 million of outstanding private placement debt maturing in May 2012. We classified this debt as long-term as of October 1, 2011 as we have the intent and ability to refinance such obligation on a long-term basis under the Credit Facility.

Debt outstanding at October 1, 2011 matures on a calendar year basis as follows:

<i>In thousands</i>	2011 Q4	2012	2013	2014	2015	2016	Thereafter	Total
Contractual debt obligation maturities	\$ 29,016	\$ 2,344	\$ 201,838	\$ 1,354	\$ 1,192	\$ 300,774	\$ 811,835	\$ 1,348,353

10. Derivatives and Financial Instruments***Fair value measurements***

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities measured at fair value are classified using the following hierarchy, which is based upon the transparency of inputs to the valuation as of the measurement date:

- Level 1:* Valuation is based on observable inputs such as quoted market prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2:* Valuation is based on inputs such as quoted market prices for similar assets or liabilities in active markets or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3:* Valuation is based upon other unobservable inputs that are significant to the fair value measurement.

Table of Contents***Pentair, Inc. and Subsidiaries******Notes to condensed consolidated financial statements (unaudited)***

In making fair value measurements, observable market data must be used when available. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

Cash-flow Hedges

In September 2005, we entered into a \$100 million interest rate swap agreement with several major financial institutions to exchange variable rate interest payment obligations for fixed rate obligations without the exchange of the underlying principal amounts in order to manage interest rate exposures. The effective date of the fixed rate swap was April 25, 2006. The swap agreement has a fixed interest rate of 4.68% and expires in July 2013. The fixed interest rate of 4.68% plus the .60% interest rate spread over LIBOR results in an effective fixed interest rate of 5.28%. The fair value of the swap was a liability of \$7.6 million, \$9.4 million and \$7.6 million at October 1, 2011, December 31, 2010 and October 2, 2010, respectively, and was recorded in *Other non-current liabilities* on the Condensed Consolidated Balance Sheets.

In August 2007, we entered into a \$105 million interest rate swap agreement with a major financial institution to exchange variable rate interest payment obligations for a fixed rate obligation without the exchange of the underlying principal amounts in order to manage interest rate exposures. The effective date of the swap was August 30, 2007. The swap agreement has a fixed interest rate of 4.89% and expires in May 2012. The fixed interest rate of 4.89% plus the .50% interest rate spread over LIBOR results in an effective fixed interest rate of 5.39%. The fair value of the swap was a liability of \$2.9 million, \$6.4 million and \$11.0 million at October 1, 2011, December 31, 2010 and October 2, 2010, respectively, and was recorded in *Other non-current liabilities* on the Condensed Consolidated Balance Sheets.

The variable to fixed interest rate swaps are designated as cash-flow hedges. The fair value of these swaps are recorded as assets or liabilities on the Condensed Consolidated Balance Sheets. Unrealized income/expense is included in *Accumulated other comprehensive income (OCI)* and realized income/expense and amounts due to/from swap counterparties are recorded in *Net interest expense* in our Condensed Consolidated Statements of Income. We realized incremental expense resulting from the swaps of \$7.0 million and \$6.9 million for the nine months ended October 1, 2011 and October 2, 2010, respectively.

The variable to fixed interest rate swaps are designated as and are effective as cash-flow hedges. The fair value of these swaps are recorded as assets or liabilities on the Condensed Consolidated Balance Sheets, with changes in their fair value included in OCI. Derivative gains and losses included in OCI are reclassified into earnings at the time the related interest expense is recognized or the settlement of the related commitment occurs.

Failure of one or more of our swap counterparties would result in the loss of any benefit to us of the swap agreement. In this case, we would continue to be obligated to pay the variable interest payments per the underlying debt agreements which are at variable interest rates of 3 month LIBOR plus .50% for \$105 million of debt and 3 month LIBOR plus .60% for \$100 million of debt. Additionally, failure of one or all of our swap counterparties would not eliminate our obligation to continue to make payments under our existing swap agreements if we continue to be in a net pay position.

Our interest rate swaps are carried at fair value measured on a recurring basis. Fair values are determined through the use of models that consider various assumptions, including time value, yield curves, as well as other relevant economic measures, which are inputs that are classified as Level 2 in the valuation hierarchy defined by the accounting guidance.

In April 2011, as part of our planned debt issuance to fund the CPT acquisition, we entered into interest rate swap contracts to hedge movement in interest rates through the expected date of closing for a portion of the expected fixed rate debt offering. The swaps had a notional amount of \$400 million with an average interest rate of 3.65%. In May 2011, upon the sale of the Notes, the swaps were terminated at a cost of \$11.0 million. Because we used the contracts to hedge future interest payments, this amount is recorded in *Prepaid expenses and other current assets* within the Condensed Consolidated Balance Sheets and will be amortized as interest exposure over the life of the Notes.

We manage our economic and transaction exposure to certain market-based risks through the use of foreign currency derivative instruments. Our objective in holding derivatives is to reduce the volatility of net earnings and cash flows associated with changes in foreign currency exchange rates.

Foreign currency contract

In March 2011, we entered into a foreign currency option contract to reduce our exposure to fluctuations in the euro related to the planned CPT acquisition. The contract had a notional amount of 286.0 million, a strike price of 1.4375 and a maturity date of May 13, 2011.

Table of Contents***Pentair, Inc. and Subsidiaries******Notes to condensed consolidated financial statements (unaudited)***

In May 2011, we sold the foreign currency option contract for \$1.0 million. The net cost of \$2.1 million is recorded in *Selling, general and administrative* on the Condensed Consolidated Statements on Income.

Fair value of financial information

Financial assets and liabilities measured at fair value on a recurring basis were as follows:

In thousands	Fair Value			(Level 3)
	October 1, 2011	(Level 1)	(Level 2)	
Cash-flow hedges	\$ 10,504	\$	\$ 10,504	\$
Deferred compensation plan (1)	21,684	21,684		

In thousands	Fair Value			(Level 3)
	December 31, 2010	(Level 1)	(Level 2)	
Cash-flow hedges	\$ 15,768	\$	\$ 15,768	\$
Foreign currency contract	1,183		1,183	
Deferred compensation plan (1)	24,126	24,126		

In thousands	Fair Value			(Level 3)
	October 2, 2010	(Level 1)	(Level 2)	
Cash-flow hedges	\$ 18,535	\$	\$ 18,535	\$
Deferred compensation plan (1)	22,699	22,699		

- (1) Deferred compensation plan assets include mutual funds and cash equivalents for payment of certain non-qualified benefits for retired, terminated and active employees. The fair value of these assets was based on quoted market prices.

11. Income Taxes

The provision for income taxes consists of provisions for federal, state and foreign income taxes. We operate in an international environment with operations in various locations outside the U.S. Accordingly, the consolidated income tax rate is a composite rate reflecting the earnings in the various locations and the applicable rates.

The effective income tax rate for the nine months ended October 1, 2011 was 30.7% compared to 33.1% for the nine months ended October 2, 2010. We continue to actively pursue initiatives to reduce our effective tax rate. The tax rate in any quarter can be affected positively or negatively by adjustments that are required to be reported in the specific quarter of resolution.

The total gross liability for uncertain tax positions was \$24.6 million, \$24.3 million and \$24.6 million at October 1, 2011,

December 31, 2010 and October 2, 2010, respectively. We record penalties and interest related to unrecognized tax benefits in *Provision for income taxes* and *Net interest expense*, respectively, on the Condensed Consolidated Statements of Income, which is consistent with our past practices.

Table of Contents*Pentair, Inc. and Subsidiaries**Notes to condensed consolidated financial statements (unaudited)***12. Benefit Plans**

Components of net periodic benefit cost were as follows:

<i>In thousands</i>	Three months ended			
	Pension benefits		Post-retirement	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Service cost	\$ 3,131	\$ 2,886	\$ 45	\$ 50
Interest cost	8,225	7,887	472	503
Expected return on plan assets	(7,963)	(7,710)		
Amortization of transition obligation		6		
Amortization of prior year service cost (benefit)		8	(7)	(7)
Recognized net actuarial loss (gains)	971	406	(826)	(823)
Net periodic benefit cost (income)	\$ 4,364	\$ 3,483	\$ (316)	\$ (277)

<i>In thousands</i>	Nine months ended			
	Pension benefits		Post-retirement	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Service cost	\$ 9,392	\$ 8,658	\$ 135	\$ 150
Interest cost	24,675	23,661	1,416	1,509
Expected return on plan assets	(23,890)	(23,130)		
Amortization of transition obligation		18		
Amortization of prior year service cost (benefit)		24	(21)	(21)
Recognized net actuarial loss (gains)	2,914	1,218	(2,479)	(2,469)
Net periodic benefit cost (income)	\$ 13,091	\$ 10,449	\$ (949)	\$ (831)

13. Business Segments

Financial information by reportable segment is shown below:

<i>In thousands</i>	Three months ended		Nine months ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Net sales to external customers				
Water Group	\$ 614,557	\$ 512,587	\$ 1,761,919	\$ 1,539,943
Technical Products Group	275,989	261,148	829,075	736,972
Consolidated	\$ 890,546	\$ 773,735	\$ 2,590,994	\$ 2,276,915

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Intersegment sales

Water Group	\$ 426	\$ 442	\$ 1,197	\$ 1,386
Technical Products Group	1,755	1,154	4,313	2,904
Other	(2,181)	(1,596)	(5,510)	(4,290)

Consolidated	\$	\$	\$	\$
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Operating income (loss)

Water Group	\$ 59,608	\$ 58,457	\$ 200,657	\$ 176,549
Technical Products Group	48,611	42,605	144,959	113,693
Other	(15,316)	(10,239)	(57,114)	(35,692)

Consolidated	\$ 92,903	\$ 90,823	\$ 288,502	\$ 254,550
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Table of Contents*Pentair, Inc. and Subsidiaries**Notes to condensed consolidated financial statements (unaudited)*

<i>In thousands</i>	October 1, 2011	December 31, 2010	October 2, 2010
		Identifiable assets ⁽¹⁾	
Water Group	\$ 4,767,632	\$ 3,409,556	\$ 3,370,351
Technical Products Group	743,021	728,969	761,225
Other ⁽¹⁾	(628,210)	(164,992)	(158,818)
Consolidated	\$ 4,882,443	\$ 3,973,533	\$ 3,972,758

⁽¹⁾ All cash and cash equivalents are included in Other

14. Warranty

The changes in the carrying amount of service and product warranties as were as follows:

<i>In thousands</i>	October 1, 2011	December 31, 2010	October 2, 2010
Balance at beginning of the year	\$ 30,050	\$ 24,288	\$ 24,288
Service and product warranty provision	38,892	56,553	46,401
Payments	(40,611)	(50,729)	(39,843)
Acquired	3,551		
Translation	(197)	(62)	(63)
Balance at end of the period	\$ 31,685	\$ 30,050	\$ 30,783

15. Commitments and Contingencies

There have been no further material developments from the disclosures contained in our 2010 Annual Report on Form 10-K.

Table of Contents***Pentair, Inc. and Subsidiaries******Notes to condensed consolidated financial statements (unaudited)*****16. Financial Statements of Subsidiary Guarantors**

Certain of the domestic subsidiaries (the Guarantor Subsidiaries) of Pentair, Inc. (the Parent Company), each of which is directly or indirectly wholly-owned by the Parent Company, jointly and severally, and fully and unconditionally, guarantee the Parent Company's indebtedness under the Notes and the Credit Facility. The following supplemental financial information sets forth the Condensed Consolidated Statements of Income, the Condensed Consolidated Balance Sheets, and the Condensed Consolidated Statements of Cash Flows for the Parent Company, the Guarantor Subsidiaries, the non-Guarantor Subsidiaries, and total consolidated Pentair and subsidiaries.

Pentair, Inc. and Subsidiaries**Condensed Consolidated Statements of Income (Unaudited)****For the three months ended October 1, 2011**

<i>In thousands</i>	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$	\$ 549,306	\$ 416,131	\$ (74,891)	\$ 890,546
Cost of goods sold		383,206	310,011	(74,733)	618,484
Gross profit		166,100	106,120	(158)	272,062
Selling, general and administrative	2,671	81,150	75,405	(158)	159,068
Research and development	218	10,093	9,780		20,091
Operating (loss) income	(2,889)	74,857	20,935		92,903
Earnings from investment in subsidiaries	(35,644)	1,686	(718)	34,676	
Other (income) expense:					
Equity income of unconsolidated subsidiaries	(512)		(62)		(574)
Net interest (income) expense	(26,822)	37,676	6,519		17,373
Income (loss) from continuing operations before income taxes and noncontrolling interest	60,089	35,495	15,196	(34,676)	76,104
Provision for income taxes	8,997	13,150	1,903		24,050
Income from continuing operations	51,092	22,345	13,293	(34,676)	52,054
Net income before noncontrolling interest	51,092	22,345	13,293	(34,676)	52,054
Noncontrolling interest			962		962
Net income attributable to Pentair, Inc.	\$ 51,092	\$ 22,345	\$ 12,331	\$ (34,676)	\$ 51,092
Net income from continuing operations attributable to Pentair, Inc.	\$ 51,092	\$ 22,345	\$ 12,331	\$ (34,676)	\$ 51,092

Table of Contents*Pentair, Inc. and Subsidiaries**Notes to condensed consolidated financial statements (unaudited)***Pentair, Inc. and Subsidiaries****Condensed Consolidated Statements of Income (Unaudited)****For the nine months ended October 1, 2011**

<i>In thousands</i>	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$	\$ 1,650,755	\$ 1,156,342	\$ (216,103)	\$ 2,590,994
Cost of goods sold		1,138,037	859,570	(215,470)	1,782,137
Gross profit		512,718	296,772	(633)	808,857
Selling, general and administrative	15,942	249,902	197,049	(633)	462,260
Research and development	823	31,448	25,824		58,095
Operating (loss) income	(16,765)	231,368	73,899		288,502
Earnings from investment in subsidiaries	(126,938)	1,686	(718)	125,970	
Other (income) expense:					
Equity income of unconsolidated subsidiaries	(1,295)		(186)		(1,481)
Net interest (income) expense	(80,838)	114,269	7,880		41,311
Income (loss) from continuing operations before income taxes and noncontrolling interest	192,306	115,413	66,923	(125,970)	248,672
Provision for income taxes	23,961	39,932	12,554		76,447
Income from continuing operations	168,345	75,481	54,369	(125,970)	172,225
Net income before noncontrolling interest	168,345	75,481	54,369	(125,970)	172,225
Noncontrolling interest			3,880		3,880
Net income attributable to Pentair, Inc.	\$ 168,345	\$ 75,481	\$ 50,489	\$ (125,970)	\$ 168,345
Net income from continuing operations attributable to Pentair, Inc.	\$ 168,345	\$ 75,481	\$ 50,489	\$ (125,970)	\$ 168,345

Table of Contents*Pentair, Inc. and Subsidiaries**Notes to condensed consolidated financial statements (unaudited)***Pentair, Inc. and Subsidiaries****Condensed Consolidated Balance Sheets (Unaudited)****October 1, 2011**

<i>In thousands</i>	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current assets					
Cash and cash equivalents	\$ 4,816	\$ 5,010	\$ 42,839	\$	\$ 52,665
Accounts and notes receivable, net	366	298,043	344,320	(86,041)	556,688
Inventories		201,372	258,544		459,916
Deferred tax assets	112,022	40,565	13,877	(105,053)	61,411
Prepaid expenses and other current assets	17,095	21,762	145,412	(36,701)	147,568
Total current assets	134,299	566,752	804,992	(227,795)	1,278,248
Property, plant and equipment, net	19,520	109,876	265,526		394,922
Other assets					
Investments in/advances to subsidiaries	2,834,569	563,756	649,722	(4,048,047)	
Goodwill		1,471,582	1,045,110		2,516,692
Intangibles, net		214,406	404,856		619,262
Other	69,916	5,452	23,000	(25,049)	73,319
Total other assets	2,904,485	2,255,196	2,122,688	(4,073,096)	3,209,273
Total assets	\$ 3,058,304	\$ 2,931,824	\$ 3,193,206	\$ (4,300,891)	\$ 4,882,443
Liabilities and Shareholders Equity					
Current liabilities					
Short-term borrowings	\$	\$	\$ 29,705	\$	\$ 29,705
Current maturities of long-term debt	2,719	(2)	26,865	(28,388)	1,194
Accounts payable	4,669	152,721	210,316	(86,258)	281,448
Employee compensation and benefits	39,319	25,149	53,070		117,538
Current pension and post-retirement benefits	8,733				8,733
Accrued product claims and warranties	12,235	20,431	11,254		43,920
Income taxes	26,011	1,531	(1,259)		26,283
Accrued rebates and sales incentives		33,855	11,376		45,231
Other current liabilities	25,831	42,854	131,604	(36,739)	163,550
Total current liabilities	119,517	276,539	472,931	(151,385)	717,602
Other liabilities					
Long-term debt	1,232,600	2,417,895	941,979	(3,275,020)	1,317,454
Pension and other retirement compensation	121,148	(7,107)	76,180		190,221
Post-retirement medical and other benefits	17,332	34,651		(25,050)	26,933
Long-term income taxes payable	23,891				23,891
Deferred tax liabilities	(79)	213,201	120,668	(105,053)	228,737

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Due to/ (from) affiliates	(678,340)	(283,366)	896,497	65,209	
Other non-current liabilities	39,537	1,604	38,348		79,489
Total liabilities	875,606	2,653,417	2,546,603	(3,491,299)	2,584,327
Noncontrolling interest			115,419		115,419
Shareholders' equity attributable to Pentair, Inc.	2,182,698	278,407	531,184	(809,592)	2,182,697
Total liabilities and shareholders' equity	\$ 3,058,304	\$ 2,931,824	\$ 3,193,206	\$ (4,300,891)	\$ 4,882,443

Table of Contents*Pentair, Inc. and Subsidiaries**Notes to condensed consolidated financial statements (unaudited)***Pentair, Inc. and Subsidiaries****Condensed Consolidated Statements of Cash Flows (Unaudited)****For the nine months ended October 1, 2011**

<i>In thousands</i>	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities					
Net income before noncontrolling interest	\$ 168,345	\$ 75,481	\$ 54,369	\$ (125,970)	\$ 172,225
Adjustments to reconcile net income to net cash provided by (used for) operating activities					
Equity income of unconsolidated subsidiaries	(1,295)		(186)		(1,481)
Depreciation	4,232	20,780	24,067		49,079
Amortization		11,494	18,313		29,807
Earnings from investments in subsidiaries	(126,938)	1,686	(718)	125,970	
Deferred income taxes	6,890	(536)	(1,909)		4,445
Stock compensation	14,695				14,695
Excess tax benefits from stock-based compensation	(3,137)				(3,137)
Loss on sale of assets	702				702
Changes in assets and liabilities, net of effects of business acquisitions and dispositions					
Accounts and notes receivable	(58,643)	67,192	(8,111)	22,219	22,657
Inventories		38,199	(22,566)		15,633
Prepaid expenses and other current assets	38,033	(11,493)	(64,380)	11,460	(26,380)
Accounts payable	61,962	(28,241)	(57,037)	(22,443)	(45,759)
Employee compensation and benefits	(6,326)	(8,160)	2,152		(12,334)
Accrued product claims and warranties		(1,299)	1,414		115
Income taxes	30,411	(2,429)	(9,937)		18,045
Other current liabilities	(34,504)	19,029	73,635	(11,236)	46,924
Pension and post-retirement benefits	(16,658)	(9,816)	2,838		(23,636)
Other assets and liabilities	(60,635)	57,799	(18,205)		(21,041)
Net cash provided by (used for) operating activities	17,134	229,686	(6,261)		240,559
Investing activities					
Capital expenditures	(6,509)	(20,837)	(25,717)		(53,063)
Proceeds from sale of property and equipment		82	57		139
Acquisitions, net of cash acquired			(733,105)		(733,105)
Other	1,533	(1,295)	(679)		(441)

We currently have more than three independent directors. The foregoing restrictions may have the effect of deterring a shareholder from acquiring our shares with the goal of seeking to have us repurchase such shares at a premium over market price.

Insurance Regulations. Wisconsin's insurance regulations generally provide that no person may acquire control of us unless the transaction in which control is acquired has been approved by the OCI. The regulations provide for a rebuttable presumption of control when a person owns or has the right to vote more than 10% of the voting securities. In addition, the insurance regulations of other states in which MGIC and MIC are licensed insurers require notification to the state's insurance department a specified time before a person acquires control of us. If such states disapprove the change of control, our licenses to conduct business in the disapproving states could be terminated.

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MATERIAL U.S. FEDERAL TAX CONSEQUENCES

The following summary describes the material U.S. federal income tax (and, in the case of certain foreign individuals, estate tax) consequences of the acquisition, ownership, and disposition of the notes and the shares of common stock into which the notes may be converted. This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations, judicial decisions, published positions of the Internal Revenue Service ("IRS"), and other applicable authorities, all as in effect as of the date hereof and all of which are subject to change. Any such change could apply retroactively and could affect adversely the tax consequences described below. No assurance can be given that the IRS will agree with the views expressed in this summary, or that a court will not sustain any challenge by the IRS in the event of litigation. No advance tax ruling has been sought or obtained from the IRS regarding the tax consequences described below. In addition, this discussion does not address any state, local, or foreign tax consequences.

This summary only applies to those U.S. Holders or Non-U.S. Holders (each as defined below) who purchase notes in the initial offering at the initial offering price and who hold notes or shares of our common stock as capital assets within the meaning of Section 1221 of the Code (generally, property held for investment). This summary does not purport to deal with persons in special tax situations, such as financial institutions, insurance companies, regulated investment companies, real estate investment trusts, tax-exempt organizations, individual retirement accounts, qualified pension plans, brokers or dealers in securities or currencies, traders in securities that elect to mark to market, "controlled foreign corporations", "passive foreign investment companies", corporations that accumulate earnings to avoid U.S. federal income tax, persons holding notes or shares of our common stock as part of a straddle, hedging, constructive sale, conversion, or other integrated transaction, persons who received shares in connection with the performance of services, or U.S. Holders that have a functional currency other than the U.S. dollar. In the case of any Non-U.S. Holder who is an individual, this summary assumes that this individual was not formerly a United States citizen, and was not formerly a resident of the United States for U.S. federal income tax purposes.

For purposes of this summary, a "U.S. Holder" is a beneficial owner of notes (or of shares of our common stock received upon a conversion of the notes) that is, for U.S. federal income tax purposes, (1) a citizen or individual resident of the United States, (2) a corporation (or other entity taxed as a corporation for U.S. federal income tax purposes) that is created or organized in the United States or under the laws of the United States, any state thereof or the District of Columbia, or is otherwise treated for U.S. federal income tax purposes as a domestic corporation, (3) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (4) a trust (A) whose administration is subject to the primary supervision of a court within the United States and all substantial decisions of which are subject to the control of one or more United States persons as described in Section 7701(a)(30) of the Code ("United States persons"), or (B) that has made a valid election under applicable Treasury regulations to be treated as a United States person.

A "Non-U.S. Holder" is a beneficial owner of notes (or of shares of our common stock received upon a conversion of the notes) that is neither a U.S. Holder nor an entity that is classified for U.S. federal income tax purposes as a partnership or as a "disregarded entity". If an entity classified for U.S. federal income tax purposes as a partnership or as a "disregarded entity" owns notes or shares of our common stock, the U.S. federal income tax treatment of a member of the entity will depend on the status of the members and the activities of the entity. The tax treatment of such an entity, and the tax treatment of any member of such an entity, is not addressed in this summary. Any entity that is classified for U.S. federal income tax purposes as a partnership or as a

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"disregarded entity" and that owns notes or shares of our common stock, and any members of such an entity, should consult their tax advisors.

U.S. Holders

Interest income

It is anticipated, and this summary assumes, that the notes will be issued for an amount equal to their principal amount. Payments of interest on the notes generally will be taxable to a U.S. Holder as ordinary interest income (in accordance with the U.S. Holder's regular method of tax accounting) at the time such payments are accrued or received.

Sale or other taxable disposition of the notes

Upon a sale or other taxable disposition of notes (other than a conversion into common stock), a U.S. Holder generally will recognize capital gain or loss in an amount equal to the difference between the amount realized on the sale or other taxable disposition, other than amounts attributable to accrued but unpaid interest on the notes (which will be treated as a payment of interest), and the U.S. Holder's tax basis in such notes. A U.S. Holder's tax basis in a note generally will be equal to the cost of the note to such U.S. Holder. Any such capital gain or loss generally will be long-term capital gain or loss if the U.S. Holder's holding period for the notes is more than one year at the time of disposition. A long-term capital gain recognized by an individual upon a taxable disposition of a note is generally eligible for reduced rates of U.S. federal income taxation. The deductibility of capital losses is subject to certain limitations.

Conversion of notes into common stock

A U.S. Holder's conversion of a note will not be a taxable event, except that (1) the receipt of cash in lieu of a fractional share of common stock will result in capital gain or loss (measured by the difference between the cash received in lieu of the fractional share and the U.S. Holder's tax basis in the fractional share) and (2) the fair market value of any common stock received with respect to accrued interest will be taxed as a payment of interest (as described above). Any such capital gain or loss generally will be long-term capital gain or loss if the U.S. Holder's holding period for the notes is more than one year at the time of conversion. A long-term capital gain recognized by an individual upon a taxable disposition of a note is generally eligible for reduced rates of U.S. federal income taxation. The deductibility of capital losses is subject to certain limitations.

A U.S. Holder's tax basis in common stock received (other than any common stock received with respect to accrued interest, the tax basis of which would equal the fair market value of the stock received) will be the same as the U.S. Holder's basis in the note at the time of conversion, reduced by any basis allocated to a fractional share.

The U.S. Holder's holding period for the common stock received will include the U.S. Holder's holding period for the convertible note converted, except that the holding period for any common stock received with respect to accrued interest will commence on the day after the date of receipt.

Constructive distributions

The conversion rate of the notes will be adjusted in certain circumstances. See "Description of Notes – Conversion Rate Adjustments" and "Description of Notes – Make Whole upon Certain Transactions". Under Section 305(c) of the Code, adjustments (or the absence of adjustments) that have the effect of increasing a holder's proportionate interest in our assets or earnings may in some circumstances result in a deemed distribution. Accordingly, if at any time we make a distribution of

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cash or property to our shareholders that would be taxable to the shareholders as a dividend for U.S. federal income tax purposes and, in accordance with the anti-dilution provisions of the notes, the conversion rate of the notes is increased, such increase may be deemed to be the payment of a taxable dividend to U.S. Holders that own notes. For example, an increase in the conversion rate in the event of our distribution of our debt instruments or our assets generally will result in deemed distribution treatment to U.S. Holders that own notes, but an increase in the event of stock dividends or the distribution of rights to subscribe for our common stock generally will not. Adjustments to the conversion rate made pursuant to a bona fide reasonable adjustment formula which has the effect of preventing the dilution of the interest of the holders of our stock, however, will generally not be considered to result in a deemed distribution. Any deemed distribution will be taxable as a dividend, return of capital, or capital gain in accordance with the rules described in the following paragraph. However, it is unclear whether such a deemed distribution would be eligible for the reduced tax rate applicable to certain dividends received by individuals or for the dividends-received deduction applicable to certain dividends received by corporations. U.S. Holders are urged to consult their tax advisors concerning the tax treatment of such constructive dividends.

Distributions on common stock

Distributions, if any, paid to a U.S. Holder on shares of our common stock (and any constructive distributions that arise as a result of certain adjustments in the conversion rate of the notes, as described in "U.S. Holders Constructive distributions") generally will be treated as dividends to the extent of our current or accumulated earnings and profits as determined under U.S. federal income tax principles. If a distribution paid to a U.S. Holder on a share of our common stock exceeds our current and accumulated earnings and profits attributable to that share of common stock, the excess will be treated as a tax-free return of capital, up to such holder's adjusted tax basis in that share of common stock. Any remaining excess will be treated as capital gain, subject to the tax treatment described below in "U.S. Holders Sale or other taxable disposition of common stock". Any portion of such distributions that constitutes a dividend will be eligible for the dividends-received deduction if the U.S. Holder is a corporation that meets certain holding period and other requirements. In the case of a U.S. Holder that is an individual, a dividend received by such a U.S. Holder on a share of our common stock generally will constitute "qualified dividend income" and will be subject to a reduced U.S. federal income tax rate if certain holding period and other requirements are satisfied.

Sale or other taxable disposition of common stock

Upon the sale or other taxable disposition of shares of our common stock received upon conversion of a note, a U.S. Holder generally will recognize capital gain or loss equal to the difference, if any, between (i) the amount of cash and the fair market value of any property received upon the sale or other taxable disposition and (ii) the U.S. Holder's adjusted tax basis in such shares. That capital gain or loss will be long-term if the U.S. Holder's holding period in respect of such shares is more than one year. A long-term capital gain recognized by an individual upon a taxable disposition of such shares is generally eligible for reduced rates of U.S. federal income taxation. The deductibility of capital losses is subject to limitations.

Unearned Income Medicare Contribution Tax

For taxable years beginning after December 31, 2012, a 3.8% Medicare contribution tax will be imposed on the "net investment income" of certain United States individuals and on the undistributed "net investment income" of certain estates and trusts. Among other items, "net investment income" generally includes interest, dividends, and certain net gain from the disposition of property, less certain deductions.

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Information reporting and backup withholding

Information returns will be filed with the IRS in connection with payments on the notes, dividends on our common stock and the proceeds from a sale or other disposition of the notes or our common stock. A U.S. Holder will be subject to backup withholding on these payments if the U.S. Holder fails to provide its taxpayer identification number in the manner required by applicable law, fails to certify that it is not subject to the backup withholding tax, or otherwise fails to comply with applicable backup withholding tax rules. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

Non-U.S. Holders

Interest income

Interest earned on a note by a Non-U.S. Holder will be considered "portfolio interest", and (subject to the discussion under the heading " Foreign Account Tax Compliance" below) will not be subject to U.S. federal income tax, provided that:

the Non-U.S. Holder does not own, directly or constructively under the attribution rules of Section 871(h)(3)(C) of the Code, 10% or more of the total combined voting power of all classes of our stock entitled to vote;

the Non-U.S. Holder is not a controlled foreign corporation related to us as described in Section 881(c)(3)(C) of the Code;

the Non-U.S. Holder is not a bank receiving the interest on a loan made in the ordinary course of its business;

the certification requirements described below are satisfied; the Non-U.S. Holder certifies, under penalties of perjury, to us or our paying agent on IRS Form W-8BEN (or a suitable substitute form) that it is not a United States person and provides its name, address and certain other required information or certain other certification requirements are satisfied; and

the interest is not effectively connected with the conduct of a trade or business (or, if a United States income tax treaty applies, is not attributable to a permanent establishment maintained) within the United States by the Non-U.S. Holder.

In general, the certification requirements will be satisfied if either (i) the beneficial owner of the note provides, to the person that otherwise would be required to withhold U.S. tax, a properly completed IRS Form W-8BEN (or a suitable substitute form) that includes the beneficial owner's name and address and that certifies, under penalties of perjury, that the beneficial owner is not a United States person, or (ii) a securities clearing organization, bank, or other financial institution which holds customers' securities in the ordinary course of its trade or business holds the note on behalf of a beneficial owner and provides to the person who otherwise would be required to withhold U.S. tax, a statement certifying under penalties of perjury that an applicable IRS Form W-8BEN (or a suitable substitute form) has been received by it from the beneficial owner, or from another financial institution acting on behalf of the beneficial owner, and furnishes a copy to the person who otherwise would be required to withhold U.S. tax. These certification requirements may be satisfied with other documentary evidence in the case of a note held through a qualified intermediary.

Any interest earned on a note that is effectively connected with the conduct of a trade or business (or, if a United States income tax treaty applies, is attributable to a permanent

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establishment maintained) within the United States by a Non-U.S. Holder will be subject to U.S. federal income tax at regular graduated rates. If the Non-U.S. Holder is classified as a corporation for U.S. federal income tax purposes, such income will also be taken into account for purposes of determining the amount of U.S. branch profits tax, which is imposed at a rate of 30% (or at a lower rate under an applicable income tax treaty) on effectively connected earnings and profits, subject to certain adjustments. However, such effectively connected income will not be subject to U.S. federal income tax withholding, provided that the Non-U.S. Holder furnishes a properly completed IRS Form W-8ECI (or a suitable substitute form) to the person who otherwise would be required to withhold U.S. tax.

Any payments to a Non-U.S. Holder of interest that do not qualify for the "portfolio interest" exemption, and that are not effectively connected with the conduct of a trade or business (or, if a United States income tax treaty applies, are not attributable to a permanent establishment maintained) within the United States by the Non-U.S. Holder, will be subject to U.S. federal income tax and withholding at a rate of 30% (or at a lower rate under an applicable income tax treaty). To claim a reduction or exemption under an applicable income tax treaty, a Non-U.S. Holder must generally submit, to the person that otherwise would be required to withhold U.S. tax, a properly completed IRS Form W-8BEN (or a suitable substitute form).

Distributions on common stock

Distributions, if any, paid to a Non-U.S. Holder on shares of our common stock (and any constructive distributions that arise as a result of certain adjustments in the conversion rate of the notes, as described in "U.S. Holders Constructive distributions") generally will be treated as dividends to the extent of our current and accumulated earnings and profits as determined under U.S. federal income tax principles. If a distribution paid to a Non-U.S. Holder on a share of our common stock exceeds our current and accumulated earnings and profits attributable to that share of common stock, the excess will be treated as a tax-free return of capital, up to such holder's adjusted tax basis in that share of common stock. Any remaining excess will be treated as capital gain, subject to the tax treatment described below in "Non-U.S. Holders Sale or other taxable disposition of common stock".

Any dividends paid to a Non-U.S. Holder with respect to shares of our common stock (and any constructive dividends that arise as a result of certain adjustments in the conversion rate of the notes, as described in "U.S. Holders Constructive distributions" above) will be subject to U.S. federal income tax and withholding at a 30% rate (or lower applicable income tax treaty rate) if the dividends are not effectively connected with the conduct of a trade or business (or, if an applicable United States income tax treaty applies, are not attributable to a permanent establishment maintained) within the United States by the Non-U.S. Holder. In the case of a constructive dividend, it is possible that this tax would be withheld from any amount owed to the Non-U.S. Holder, including, but not limited to, interest payments on the notes, dividend payments on shares of common stock, or sales proceeds subsequently paid or credited to the Non-U.S. Holder.

Any dividends (including constructive dividends) that are received by a Non-U.S. Holder and that are effectively connected with the conduct of a trade or business (or, if an applicable United States income tax treaty applies, are attributable to a permanent establishment maintained) within the United States by the Non-U.S. Holder will be subject to U.S. federal income tax at regular graduated rates, and (if the Non-U.S. Holder is classified as a corporation for U.S. federal income tax purposes) may also be subject to a U.S. branch profits tax, which is imposed at a rate of 30% (or at a lower rate under an applicable income tax treaty) on effectively connected earnings and profits, subject to certain adjustments. However, such effectively connected income will not be subject to U.S. federal income tax withholding, provided that the Non-U.S. Holder furnishes a

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properly completed IRS Form W-8ECI (or a suitable substitute form) to the person who otherwise would be required to withhold U.S. tax.

Any portion of a distribution on shares of our common stock that is made to a Non-U.S. Holder and that is in excess of our current and accumulated earnings and profits may be subject to U.S. federal income tax withholding, regardless of whether such portion is subject to U.S. federal income tax in the hands of the Non-U.S. Holder. A Non-U.S. Holder may obtain a refund of any excess withheld amounts by filing an appropriate claim for refund with the IRS.

A Non-U.S. Holder that wishes to claim the benefit of an applicable treaty rate with respect to dividends on shares of our common stock is required to satisfy applicable certification and other requirements. A Non-U.S. Holder that is eligible for a reduced rate of U.S. federal income tax pursuant to an applicable income tax treaty may obtain a refund of any excess withheld amounts by filing an appropriate claim for refund with the IRS.

Sale or other taxable disposition of notes or common stock

Upon a conversion of notes into shares of our common stock (and cash, if any, in lieu of fractional shares), a Non-U.S. Holder will recognize gain for U.S. federal income tax purposes to the extent generally that a U.S. Holder will recognize gain (see "U.S. Holders Conversions of notes into common stock"). A Non-U.S. Holder will also recognize gain for U.S. federal income tax purposes upon the sale, redemption, or other taxable disposition (not including a conversion) of a note.

Subject to the discussion below regarding information reporting and backup withholding, any gain recognized by a Non-U.S. Holder upon a sale or other taxable disposition (including a retirement or redemption) of notes or shares of our common stock, and any portion of a distribution that is treated as a capital gain as described above in "Non-U.S. Holders Distributions on common stock", will not be subject to U.S. federal income tax unless:

- (1) the gain is effectively connected with the conduct of a trade or business (and, if an applicable United States income tax treaty applies, is attributable to a permanent establishment maintained) within the United States by the Non-U.S. Holder;
- (2) in the case of an individual, such individual is present in the United States for 183 days or more during the taxable year in which the gain is realized and certain other conditions are met; or
- (3) we are or have been a "United States real property holding corporation" for U.S. federal income tax purposes, and such Non-U.S. Holder held more than 5% of our common stock at any time during the shorter of the five-year period ending on the date of disposition or the period that such Non-U.S. Holder held our notes or common stock.

In the case of a Non-U.S. Holder described in clause (1) above, any such gain will be subject to U.S. federal income tax at regular graduated rates, and (if the Non-U.S. Holder is classified as a corporation for U.S. federal income tax purposes) may also be subject to a U.S. branch profits tax, which is imposed at a rate of 30% (or at a lower rate under an applicable income tax treaty) on effectively connected earnings and profits, subject to certain adjustments. However, any such gain that is recognized by a Non-U.S. Holder described in clause (1) above will not be subject to U.S. federal income tax withholding, provided that in the case of a distribution that is treated as a capital gain as described above in "Non-U.S. Holders Distributions on common stock", the Non-U.S. Holder furnishes a properly completed IRS Form W-8ECI (or a suitable substitute form) to the person who otherwise would be required to withhold U.S. tax.

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An individual Non-U.S. Holder described in clause (2) above will be subject to a flat 30% tax on such gain, which may be offset by U.S. source capital losses, even though the individual is not considered a resident of the United States.

We believe that we have never been a United States real property holding corporation during the five years preceding the date of this prospectus supplement, and we do not anticipate that we will become a United States real property holding corporation. No assurances can be provided in this regard, however.

Foreign Account Tax Compliance

Under the Hiring Incentives to Restore Employment Act (the "HIRE Act"), U.S. withholding taxes generally will be imposed on certain types of payments made after December 31, 2012 to "foreign financial institutions" and to certain other non-U.S. entities. This withholding tax will be imposed at a 30% rate on payments of interest or dividends on, or gross proceeds from the sale or other disposition of, debt obligations or shares issued by a United States person if the payments are made to a foreign financial institution, unless the foreign financial institution enters into (or is deemed to have entered into) an agreement with the U.S. Treasury to among other things, undertake to identify accounts held by certain United States persons or U.S.-owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent the financial institution from complying with these reporting and other requirements. In addition, the legislation generally imposes a 30% withholding tax on similar types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial United States owners or the entity furnishes identifying information regarding each substantial United States owner. The HIRE Act contains "grandfather" rules which provide that the withholding requirements do not apply to debt instruments outstanding on March 18, 2012.

Despite the December 31, 2012 date set forth in the HIRE Act, the IRS has issued regulations which provide that the withholding tax on interest or dividends will not be imposed with respect to payments made prior to January 1, 2014, and that the withholding tax on gross proceeds from a disposition of debt obligations or shares will not be imposed with respect to payments made prior to January 1, 2017. In addition, these regulations extend the application of the grandfather rules so that the withholding requirements generally will not apply to debt instruments outstanding on January 1, 2014.

Information reporting and backup withholding

The amount of any interest or dividends paid to a Non-U.S. Holder with respect to notes or shares of our common stock, respectively, and the amount of any tax withheld, generally must be reported to the IRS and to the Non-U.S. Holder, regardless of whether withholding was required. Copies of the information returns reporting such interest, dividends, and withholding may also be made available under the provisions of an applicable income tax treaty or agreement to the tax authorities in the country in which the Non-U.S. Holder resides.

Any interest or dividends paid to a Non-U.S. Holder with respect to notes or shares of our common stock, respectively, generally will not be subject to backup withholding, provided that the Non-U.S. Holder certifies, under penalties of perjury, on IRS Form W-8BEN (or a suitable substitute form) that it is not a United States person and certain other conditions are met, or the Non-U.S. Holder otherwise establishes an exemption.

The payment to a Non-U.S. Holder of the proceeds of a disposition of a note or a share of our common stock by or through the U.S. office of a broker generally will not be subject to information reporting or backup withholding if the Non-U.S. Holder either certifies, under penalties of perjury, on IRS Form W-8BEN (or a suitable substitute form) that it is not a United States person and certain

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other conditions are met, or the Non-U.S. Holder otherwise establishes an exemption. Information reporting and backup withholding generally will not apply to the payment of the proceeds of a disposition of a note or share of our common stock by or through the foreign office of a foreign broker (as defined in applicable Treasury regulations). Information reporting requirements (but not backup withholding) will apply, however, to a payment of the proceeds of the disposition of a note or share of our common stock by or through a foreign office of a U.S. broker or of a foreign broker with certain relationships to the United States, unless the broker has documentary evidence in its records that the holder is not a United States person and certain other conditions are met, or the holder otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules from a payment to a Non-U.S. Holder may be credited against the U.S. federal income tax liability of the Non-U.S. Holder, and may entitle the Non-U.S. Holder to a refund if the required information is furnished to the IRS in a timely manner.

Federal estate tax

Any note that is owned (or treated as owned) by an individual who is not a citizen or resident (as specially defined for U.S. federal estate tax purposes) of the United States at the date of death will not be included in such individual's estate for U.S. federal estate tax purposes, unless the individual owns, directly or indirectly, 10% or more of the voting power of all our stock, or, at the time of such individual's death, payments in respect of the notes would have been effectively connected with the conduct by such individual of a trade or business in the United States.

Any shares of our common stock that are owned (or treated as owned) by an individual who is not a citizen or resident (as specially defined for U.S. federal estate tax purposes) of the United States at the date of death will be included in such individual's estate for U.S. federal estate tax purposes, and therefore may be subject to U.S. federal estate tax, unless an applicable estate tax or other treaty provides otherwise.

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We and the underwriters named below have entered into an underwriting agreement with respect to the notes being offered. Subject to certain conditions, each underwriter has severally agreed to purchase notes in the principal amounts indicated in the following table. Goldman, Sachs & Co. is the representative of the underwriters.

Underwriters	Principal Amount of Notes
Goldman, Sachs & Co.	
Total	\$ 350,000,000

The underwriters are committed to take and pay for all of the notes being offered, if any are taken, other than the notes covered by the option described below unless and until this option is exercised.

If the underwriters sell more notes than the total number set forth in the table above, the underwriters have an option to buy up to an additional \$50,000,000 in principal amount of the notes from us. The underwriters may exercise that option for 30 days. If any notes are purchased pursuant to this option, the underwriters will severally purchase the notes in approximately the same proportion as set forth in the table above.

Notes sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus supplement, plus accrued interest from the original issue date of the notes, if any. Any notes sold by the underwriters to securities dealers may be sold at a discount of up to % of the principal amount of the notes. If all the notes are not sold at the initial public offering price, the underwriters may change the offering price and the other selling terms. The offering of the notes by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

The following table shows the public offering price, underwriting discounts and commissions and proceeds, before estimated offering expenses, to us. The information assumes either no exercise or full exercise by the underwriters of their option to purchase additional notes.

	Per Note	No Exercise	Full Exercise
Per Note	% \$		\$
Total	% \$		\$

The notes are a new issue of securities with no established trading market. We have been advised by the underwriters that the underwriters intend to make a market in the notes, but the underwriters are not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the notes.

We, our executive officers and our directors have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any of our common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus supplement continuing through the date 90 days after the date of this prospectus supplement, except with the prior written consent of Goldman, Sachs & Co. With respect to us, the foregoing restrictions shall not apply to issuances of shares of common stock or options to purchase shares of common stock, or shares of common stock upon exercise of options, pursuant

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to any stock option, stock bonus or other stock plan or arrangement existing on the date of this prospectus supplement, or upon the conversion of the convertible notes to be issued in this offering or convertible securities outstanding on the date of this prospectus supplement. With respect to our executive officers and directors, the foregoing restrictions shall not apply to the transfer of any or all of the shares of common stock owned by such person, either during his lifetime or on death, by gift, will or intestate succession, provided the transferee agrees to hold the shares of common stock subject to the restrictions applicable to the transferor described above.

In connection with this offering, the underwriters may purchase and sell notes and shares of common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of notes than they are required to purchase in the offering. "Covered" short sales are sales made in an amount not greater than the underwriters' option to purchase additional notes from us in the offering. The underwriters may close out any covered short position by either exercising their option to purchase additional notes or purchasing notes in the open market. In determining the source of notes to close out the covered short position, the underwriters will consider, among other things, the price of notes available for purchase in the open market as compared to the price at which they may purchase additional notes pursuant to the option granted to them. "Naked" short sales are any sales in excess of such option. The underwriters must close out any naked short position by purchasing notes in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the notes in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of notes or shares of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representative has repurchased notes sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of our notes or stock, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the notes. As a result, the price of our notes may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time. These transactions may be effected on the NYSE, in the over-the-counter market or otherwise.

Selling Restrictions

Other than in the United States, no action has been taken by us or the underwriters that would permit a public offering of the notes offered by this prospectus supplement in any jurisdiction where action for that purpose is required. The notes offered by this prospectus supplement may not be offered or sold, directly or indirectly, nor may this prospectus supplement or any other offering material or advertisements in connection with the offer and sale of any such notes be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus supplement comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus supplement. This prospectus supplement does not constitute an offer to sell or a solicitation of an offer to buy any notes offered by this prospectus supplement in any jurisdiction in which such an offer or a solicitation is unlawful.

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Each underwriter intends to comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers notes or has in its possession or distributes the prospectus or any other material.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") an offer of the notes may not be made to the public in that Relevant Member State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives of the several underwriters; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of notes shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of the notes to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State. The expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

We have not authorized and do not authorize the making of any offer of the notes through any financial intermediary, other than offers made by the underwriters with a view to underwriting the notes as contemplated in this prospectus supplement and the accompanying prospectus. Accordingly, no purchaser of notes, other than the underwriters, is authorized to make any further offer of notes on behalf of us or the underwriters.

United Kingdom

Each underwriter has represented and agreed that, in connection with the distribution of the notes,

- (a) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 ("FSMA") with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom; and
- (b) it will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue and sale of such notes in circumstances in which Section 21(1) of the FSMA does not apply to us.

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Japan

The notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the Financial Instruments and Exchange Law) and each underwriter has agreed that it will not offer or sell any notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

The notes may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Singapore

This prospectus supplement and the accompanying prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus supplement and the accompanying prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, notes, debentures and units of notes and debentures of that corporation or the beneficiaries' rights and interest in that trust will not be transferable for six months after that corporation or that trust has acquired the notes under Section 275 of the SFA except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A) of the SFA and in accordance with the conditions specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

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Other Information

We estimate that our share of the total expenses of the offering and the concurrent common stock offering, excluding underwriting discounts and commissions, will be approximately \$800,000.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933. If we are unable to provide this indemnification, we will contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for us, for which they received or will receive customary fees and expenses. In addition, the underwriters are acting as underwriters in our concurrent common stock offering for which they will receive customary underwriting discounts and commissions.

In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of us.

LEGAL MATTERS

Foley & Lardner LLP, Milwaukee, Wisconsin, will pass upon certain legal matters relating to this offering. Mayer Brown LLP, Chicago, Illinois, will pass upon certain legal matters relating to this offering for the underwriters.

EXPERTS

The financial statements and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) incorporated in this prospectus supplement by reference to the annual report on Form 10-K for the year ended December 31, 2012 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

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PROSPECTUS

MGIC INVESTMENT CORPORATION

Senior Debt Securities
Subordinated Debt Securities
Common Stock
Preferred Stock
Depositary Shares
Warrants
Stock Purchase Contracts
Stock Purchase Units

We may offer these securities in amounts, at prices and on terms determined at the time of offering.

Each time securities are sold using this prospectus, we will provide a supplement to this prospectus and possibly other offering material containing specific information about the offering and the terms of the securities being sold, including the offering price. The supplement or other offering material may add, update or change information contained in this prospectus. Our common stock is traded on the New York Stock Exchange under the symbol "MTG."

We may offer and sell these securities to or through underwriters, dealers or agents, or directly to investors, on a continued or a delayed basis. The supplements to this prospectus will provide the specific terms of the plan of distribution.

You should read this prospectus, any supplement and any other offering material carefully before you invest.

See "Risk Factors" in the accompanying prospectus supplement or other offering material or in such other document we refer you to in the accompanying prospectus supplement or other offering material for a discussion of certain risks that prospective investors should consider before investing in our securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is April 20, 2010.

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Limitations on Ownership of our Voting Securities

MGIC Investment Corporation owns, Mortgage Guaranty Insurance Corporation and MGIC Indemnity Corporation, both of which are insurance companies domiciled in Wisconsin. Wisconsin's insurance regulations generally provide that no person may acquire control of us unless the transaction in which control is acquired has been approved by the Office of the Commissioner of Insurance of Wisconsin. The regulations provide for a rebuttable presumption of control when a person owns or has the right to vote more than 10% of the voting securities. In addition, the insurance regulations of other states in which Mortgage Guaranty Insurance Corporation and MGIC Indemnity Corporation are licensed insurers require notification to the state's insurance department a specified time before a person acquires control of us. If regulators in these states disapprove the change of control, our licenses to conduct business in the disapproving states could be terminated. Accordingly, any investor that may through its ownership, and the ownership of affiliates or other third parties whose holdings are required to be aggregated with those of such investor, of common stock or other securities that are considered to be voting securities be deemed to own 10% of MGIC Investment Corporation's common stock, should consult with its legal advisors to ensure that it complies with applicable requirements of applicable law.

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ABOUT THIS PROSPECTUS

Unless the context otherwise requires, references in this prospectus to "our company," "we," "us," "our" or "ours" refer to MGIC Investment Corporation and its consolidated subsidiaries, and references to "MGIC" mean our primary insurance subsidiary, Mortgage Guaranty Insurance Corporation. Credit-Based Asset Servicing and Securitization LLC, or C-BASS, and our other less than majority-owned joint ventures and investments are not consolidated with us for financial reporting purposes, are not our subsidiaries and are not included in the terms "our company," "we," "us," "our" and "ours" and other similar terms. The description of our business in this prospectus generally does not apply to our international operations which began in 2007, were conducted only in Australia (we are not currently writing any new insurance in Australia), and are immaterial.

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or SEC, utilizing a "shelf" registration process. Under this shelf process, we may, from time to time, sell the securities or combinations of the securities described in this prospectus in one or more offerings. This prospectus provides you with a general description of those securities. Each time we offer securities, we will provide a prospectus supplement or other offering material that will contain specific information about the terms of that offering. The prospectus supplement or other offering material may also add, update or change information contained in this prospectus. You should read this prospectus, any prospectus supplement and any other offering material, together with additional information described under the heading "Where You Can Find More Information."

You should rely only on the information contained or incorporated by reference in this prospectus, any prospectus supplement and any other offering material. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making offers to sell or soliciting offers to buy the securities in any jurisdiction in which an offer or solicitation is not authorized or in which the person making that offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make an offer or solicitation. You should not assume that the information in this prospectus, any prospectus supplement or any other offering material, or the information we file or previously filed with the SEC that we incorporate by reference in this prospectus or any prospectus supplement or other offering material, is accurate as of any date other than its respective date. Our business, financial condition, results of operations and prospects may have changed since those dates.

THE COMPANY

We are a holding company and through wholly owned subsidiaries we are the leading provider of private mortgage insurance in the United States. In 2009, our net premiums written exceeded \$1.2 billion and our new insurance written was \$19.9 billion. As of December 31, 2009, our insurance in force was \$212.2 billion and our risk in force was \$54.3 billion. As of December 31, 2009, our principal subsidiary, MGIC, was licensed in all 50 states of the United States, the District of Columbia, Puerto Rico and Guam. Through December 31, 2009, MGIC wrote all of our new insurance throughout the United States. However, in 2010 we expect our subsidiary, MGIC Indemnity Corporation, to begin writing new insurance in jurisdictions where MGIC does not meet minimum capital requirements and does not obtain a waiver of those requirements. In addition to mortgage insurance on first liens, we, through our subsidiaries, provide lenders with various underwriting and other services and products related to home mortgage lending.

We are a Wisconsin corporation. Our principal office is located at MGIC Plaza, 250 East Kilbourn Avenue, Milwaukee, Wisconsin 53202, and our telephone number is 414-347-6480.

Table of Contents**USE OF PROCEEDS**

Unless otherwise described in an applicable prospectus supplement or other offering material, we intend to use the net proceeds from the sale of the securities for general corporate purposes, including repaying, repurchasing or redeeming existing debt, increasing the capital of MGIC in order to enable it to expand the volume of its new business and for our general corporate purposes. Pending such use, we may temporarily invest the net proceeds in short-term investments.

RATIO OF EARNINGS TO FIXED CHARGES

	Years Ended December 31,				
	2009	2008	2007	2006	2005
Ratios of earnings to fixed charges	(1)	(1)	(1)	16.7	18.9

- (1) Total earnings were insufficient to cover fixed charges by \$1.8 billion, \$925.4 million and \$2.2 billion in 2009, 2008 and 2007, respectively. Total losses for 2009 included an approximately \$1.8 billion increase in net loss reserves. Total losses for 2008 included an approximately \$1.9 billion increase in net loss reserves. Total losses for 2007 included an approximately \$1.5 billion increase in net loss reserves and approximately \$1.2 billion associated with establishing a premium deficiency reserve on our Wall Street bulk transactions. The loss before taxes and equity investees for 2007 excludes a \$466 million impairment of our entire interests in C-BASS.

For purposes of computing the ratios of earnings to fixed charges, earnings consist of earnings from continuing operations before income taxes, fixed charges and amortization of capitalized interest, less capitalized interest. Fixed charges consist of interest expensed and capitalized, amortization of debt issuance costs and the interest component of rent expense.

We did not have any preferred stock outstanding and we did not pay or accrue any preferred stock dividends during the periods presented above.

DESCRIPTION OF DEBT SECURITIES

We may issue senior or subordinated debt securities, which we collectively refer to as "debt securities." The following describes general terms that apply to the debt securities. We will describe the particular terms of any debt securities more specifically in a prospectus supplement and, where applicable, pricing supplement or other offering material relating to those debt securities.

We will issue the senior debt securities under an indenture between us and U.S. Bank National Association, as trustee, a copy of which is filed as an exhibit to the registration statement of which this prospectus is a part and is incorporated by reference into this prospectus. We will issue the subordinated debt securities under a subordinated indenture entered into between us and a trustee that will substantially be in the form which is filed as an exhibit to the registration statement of which this prospectus is a part and is incorporated by reference into this prospectus.

We summarize below selected provisions of the indentures. Since this is only a summary, it does not contain all of the information that may be important to you. Unless the parenthetical section references in this prospectus identify either the senior indenture or the subordinated indenture, the references are to sections of both of the indentures. We encourage you to read the indentures.

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General

Neither indenture limits the aggregate principal amount of debt securities which we may issue and both provide that we may issue debt securities thereunder from time to time in one or more series. (Section 3.1). The senior indenture does not limit the amount of other indebtedness or debt securities, other than some secured indebtedness as described below, which we or our subsidiaries may issue. The subordinated indenture does not limit the amount of other indebtedness or debt securities, which we or our subsidiaries may issue. Under the indentures, the terms of the debt securities of any series may differ and we, without the consent of the holders of the debt securities of any series, may reopen a previous series of debt securities and issue additional debt securities of the series or establish additional terms of the series. (Section 3.1).

Unless we otherwise provide in an applicable prospectus supplement or other offering material, the senior debt securities will be our unsecured obligations and will rank equally with all of our other unsecured and unsubordinated indebtedness. Unless we otherwise provide in an applicable prospectus supplement or other offering material, the subordinated debt securities will rank as set forth in the section titled "Subordination" below.

We are a holding company and we conduct our operations through subsidiaries, which generate a substantial portion of our operating income and cash flow. As a result, distributions or advances from our subsidiaries are a major source of funds necessary to meet our debt service and other obligations. Our principal source of cash is dividends from MGIC. Wisconsin insurance regulations restrict the amount of dividends that may be paid by MGIC and our other insurance subsidiaries without the consent of the regulator. One of the dividend restrictions is based on statutory policyholders' surplus, which is computed under statutory accounting principles. We discuss these dividend restrictions and differences between statutory accounting principles and general accepted accounting principles in the notes to our consolidated financial statements included in our most recent Annual Report on Form 10-K, which is one of the documents we hereby incorporate by reference. See "Where You Can Find More Information."

Contractual provisions, insurance and other laws and regulations, as well as our subsidiaries' financial condition and operating requirements, may limit our ability to obtain the cash required to pay our obligations, including payments on our debt securities. The debt securities will be effectively subordinated to the obligations of our subsidiaries, including claims with respect to insured policies. This means that holders of the debt securities will have a junior position to the claims of creditors of our subsidiaries on their assets and earnings.

Terms. We will describe in a prospectus supplement or other offering material the following terms of the debt securities offered by that supplement or material:

the title of the debt securities and the series in which those debt securities are included;

any limit on the aggregate principal amount of the debt securities or the series of which they are a part;

the currency or currencies, or composite currencies, in which the debt securities will be denominated and in which we will make payments on the debt securities;

the date or dates on which we must pay principal;

the rate or rates at which the debt securities will bear interest or the manner in which interest will be determined, if any interest is payable;

the date or dates from which any interest will accrue, the date or dates on which we must pay interest and the record date for determining who is entitled to any interest payment;

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the place or places where we must pay the debt securities and where any debt securities issued in registered form may be sent for transfer or exchange;

the terms and conditions on which we may, or may be required to, redeem the debt securities;

the terms and conditions of any sinking fund;

if other than denominations of \$1,000 and integral multiples thereof, the denominations in which we may issue the debt securities;

the amount we will pay if the maturity of the debt securities is accelerated;

whether we will issue the debt securities in the form of one or more global securities and, if so, the identity of the depository for the global security or securities;

any addition to or changes in the events of default or covenants that apply to the debt securities;

whether the debt securities will be defeasible; and

any other terms of the debt securities and any other deletions from or modifications or additions to the indenture in respect of the debt securities. (Section 3.1).

Payments. Unless we state otherwise in an applicable prospectus supplement or other offering material, we will pay principal, premium, interest and additional amounts, if any, on the debt securities at the office or agency we maintain for that purpose, initially the corporate trust office of the trustee. We may pay interest on debt securities issued in registered form by check mailed to the address of the persons entitled to the payments or we may pay by transfer to their U.S. bank accounts. We will pay interest on debt securities issued in registered form on any interest payment date to the registered owners of the debt securities at the close of business on the regular record date for the interest payment date. We will name in an applicable prospectus supplement or other offering material all paying agents we initially designate for the debt securities. We may designate additional paying agents, rescind the designation of any paying agent or approve a change in the office through which any paying agent acts, but we must maintain a paying agent in each place where payments on the debt securities are payable. (Sections 3.7 and 10.2).

Registration, Transfer and Exchange. Unless we state otherwise in an applicable prospectus supplement or other offering material, holders of debt securities may present debt securities for transfer or exchange debt securities for other debt securities of the same series containing identical terms and provisions, in any authorized denominations, and in the same aggregate principal amount at the office or agency we maintain for that purpose. That office will initially be the corporate trust office of the trustee. The debt securities must be duly endorsed or accompanied by a written instrument of transfer if we or the security registrar so require. We will not require any service charge for any transfer or exchange, but we may require payment sufficient to cover any tax or other governmental charge or other expenses payable in connection with the transfer or exchange. We will not be required to issue, register the transfer of, or exchange, debt securities during a period beginning at the opening of business 15 days before the day of mailing of a notice of redemption of any debt securities and ending at the close of business on the day of such mailing or register the transfer of or exchange any debt security selected for redemption in whole or in part, except the unredeemed portion of any debt security being redeemed in part. Unless we state otherwise in the applicable prospectus supplement, the trustee will be the initial security registrar for each series of debt securities. (Section 3.5). We may designate additional transfer agents, rescind the designation of any transfer agent or approve a change in the office through which any transfer agent acts, but we must maintain a transfer agent in each place where any payments on the debt securities are payable. (Section 10.2).

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Denominations; Global Securities. Unless we state otherwise in an applicable prospectus supplement or other offering material, we will issue the debt securities only in fully registered form, without coupons, in minimum denominations of \$1,000 and integral multiples of \$1,000. (Section 3.2). The debt securities may be represented in whole or in part by one or more global debt securities. We will register each global security in the name of a depository or its nominee. The global security will bear a legend regarding the restrictions on exchanges and registration of transfer. Interests in a global security will be shown on records maintained by the depository and its participants, and transfers of those interests will be made as described below.

Limited Restrictions on Additional Indebtedness. Unless we state otherwise in an applicable prospectus supplement or other offering material, and other than as described below under "Limitation on Liens on Stock of Designated Subsidiaries in the Senior Indenture," neither indenture limits our ability to incur debt or give holders of debt securities protection in the event of a sudden and significant decline in our credit quality or a takeover, recapitalization or highly leveraged or similar transaction involving us.

Certain Restrictions in the Senior Indenture

For purposes of the lien limitation and sales of capital stock restrictions described below and this definition, a "subsidiary" is an entity of which more than 50% of the interests entitled to vote in the election of directors or managers is owned by any combination of us and our subsidiaries.

Limitations on Liens on Stock of Designated Subsidiaries in the Senior Indenture. Neither we nor any of our subsidiaries will be permitted to create, assume, incur or permit to exist any indebtedness secured by any lien on the capital stock of any designated subsidiary unless the senior debt securities (and, if we so elect, any other indebtedness of ours that is not subordinate to the senior debt securities and with respect to which the governing instruments require, or pursuant to which we are otherwise obligated, to provide such security) are secured equally and ratably with this indebtedness for at least the time period this other indebtedness is so secured. (Section 10.5).

"Designated subsidiary" means any present or future consolidated subsidiary of ours, the consolidated shareholder's equity of which constitutes at least 15% of our consolidated shareholders' equity. As of December 31, 2009, our designated subsidiaries were MGIC and MGIC Indemnity Corporation.

"Indebtedness" means, with respect to any person, for purposes of this covenant:

the principal of and any premium and interest on, indebtedness of the person for money borrowed and indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which that person is responsible or liable;

all capitalized lease obligations of that person;

all obligations of that person issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations under any title retention agreement;

all obligations of that person for the reimbursement of any obligor on any letter of credit, banker's acceptance or similar credit transaction (other than obligations with respect to some letters of credit securing obligations entered into in the ordinary course of business);

all obligations of the type referred to above of other persons and all dividends of other persons of which, that person is responsible or liable as obligor, guarantor or otherwise;

all obligations of the type referred to above of other persons secured by any lien on any property or asset of that person, the amount of this obligation being deemed to be the

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lesser of the value of such property or assets or the amount of the obligation so secured; and

any amendments, modifications, refundings, renewals or extensions of any indebtedness or obligation described above. (Section 1.1).

Limitations on Sales of Capital Stock of Designated Subsidiaries in the Senior Indenture. Under the senior indenture, neither we nor any of our designated subsidiaries will be permitted to issue, sell, transfer or dispose of capital stock of a designated subsidiary, except to us or one of our subsidiaries that agrees to hold the transferred shares subject to the terms of this sentence, unless we dispose of the entire capital stock of the designated subsidiary at the same time for cash or property which, in the opinion of our board of directors, is at least equal to the fair value of the capital stock. (Section 10.6).

Consolidation, Merger and Sale of Assets

We may not consolidate with or merge into any other person or convey or transfer or lease our properties and assets substantially as an entirety to any person, and we may not permit any other person to consolidate with or merge into us, unless:

if we consolidate with or merge into another corporation or convey or transfer our properties and assets substantially as an entirety to any person, the successor is organized under the laws of the United States or any state and assumes our obligations under the debt securities;

immediately after the transaction, no event of default occurs and continues; and

we meet other conditions specified in the indenture. (Section 8.1).

Modification and Waiver

We and the applicable trustee may modify and amend an indenture with the consent of the holders of a majority in aggregate principal amount of the outstanding debt securities of each affected series issued under that indenture. However, without the consent of each holder, we cannot modify or amend the applicable indenture in a way that would:

change the stated maturity of the principal of, or any premium or installment of interest on or payment of any additional amounts under, any debt security;

reduce the principal amount of, or the interest rate on, any debt security;

reduce the principal payable upon acceleration, or provable in bankruptcy, of any debt security issued with original issue discount;

change the redemption provisions or adversely affect the right of prepayment of any debt security;

change the place or currency of payment of principal or interest on any debt security;

impair the right to sue to enforce any payment on any debt security after it is due;

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reduce the percentage in principal amount of outstanding debt securities necessary to modify or amend the indenture, to waive compliance with some requirements of the indenture or some defaults or reduce the quorum requirements of meetings of holders of debt securities;

modify the provisions of the indenture summarized in this paragraph; or

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make any changes that adversely affects the rights to convert or exchange any debt securities. (Section 9.2).

The holders of a majority in aggregate principal amount of outstanding debt securities of any series may waive our compliance with some restrictive covenants of the applicable indenture with respect to the outstanding debt securities of that series. (Section 10.8 of the senior indenture and Section 10.6 of the subordinated indenture). The holders of a majority in principal amount of the outstanding debt securities of any series may waive any past default under the applicable indenture with respect to outstanding debt securities of that series. This waiver will be binding on all holders of debt securities of that series. However, these holders may not waive a default in the payment of principal or of premium or interest on any debt security of that series or in respect of a provision of the applicable indenture that cannot be modified or amended without each holder's consent. (Sections 5.8 and 5.13).

Events of Default

Each of the following will be an event of default with respect to a series of debt securities:

default for 30 days in the payment of any interest on any debt security of that series;

default in the payment of principal or any premium on any debt security of that series;

default in the deposit of any sinking fund payment with respect to that series;

default in the performance of any other covenant or warranty in the applicable indenture or the securities of that series that continues for 60 days after written notice of such default by the trustee or holders of at least 25% of the outstanding principal amount of that series; and

specified events in bankruptcy, insolvency or reorganization. (Section 5.1).

In addition, under the senior indenture, a failure to pay when due at maturity or a default that results in the acceleration of maturity of any other debt of ours or our designated subsidiaries in an aggregate amount of \$40 million or more is also an event of default, unless the acceleration is rescinded, stayed or annulled, or, in the case of debt we are contesting in good faith, we set aside a bond, letter of credit, escrow deposit or other cash equivalent sufficient to discharge the debt within 30 days after written notice of default is given to us by the trustee or holders of not less than 25% in principal amount of the outstanding debt securities of the series in default. (Section 5.1 of the senior indenture).

We are required to furnish the trustee annually a statement as to our fulfillment of our obligations under the applicable indenture. (Section 10.9 of the senior indenture and Section 10.7 of the subordinated indenture). The trustee may withhold notice of any default to the holders of debt securities of any series, except a default on principal or interest payments on debt securities of that series, if it considers it in the interest of the holders to do so. (Section 6.3).

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If an event of default occurs and continues, then either the trustee or the holders of not less than 25% in principal amount of the outstanding debt securities of the series in default may declare the principal amount immediately due and payable by written notice to us and, if given by the holders, to the trustee. Upon any declaration of default, the principal amount will become immediately due and payable. However, the holders of a majority in principal amount of the outstanding debt securities of that series may, under some circumstances, rescind and annul the acceleration. (Section 5.2).

Except for some duties in case of an event of default, the trustee is not required to exercise any of its rights or powers at the request or direction of any of the holders unless the holders offer the trustee reasonable security or indemnity. (Section 6.2). If the holders provide this security or indemnity, then the holders of a majority in principal amount of the outstanding debt securities of a series may direct the time, method and place of conducting any proceeding for any remedy available to the trustee, or exercising any trust or powers conferred on the trustee with respect to the debt securities of that series. (Section 5.12).

No holder of a debt security may bring any lawsuit or other proceeding with respect to the applicable indenture or for any remedy under the indenture unless the holder first gives the trustee written notice of a continuing event of default, the holders of at least 25% in principal amount of the outstanding debt securities of the series in default give the trustee a written request to bring the proceeding and offer the trustee reasonable security or indemnity and the trustee fails to institute the proceeding for 60 days after the written request and has not received from holders of a majority in principal amount of the outstanding debt securities of the series in default a direction inconsistent with that request. (Section 5.7). However, the holder of any debt security has the absolute right to receive payment of the principal of and any premium or interest on the debt security on or after the stated due dates and to take any action to enforce any payment of principal of and any interest on the debt security. (Section 5.8).

Discharge, Defeasance and Covenant Defeasance

We may discharge some obligations to holders of any series of debt securities that have not already been delivered to the trustee for cancellation and that either have become due and payable, will become due and payable within one year or are scheduled for redemption within one year by depositing with the trustee, in trust, funds in U.S. dollars or in the foreign currency in which the debt securities are payable in an amount sufficient to pay the principal and any premium, interest and additional amounts on the debt securities to the date of deposit, if the debt securities have become due and payable, or to the maturity date, as the case may be. (Section 4.1).

Unless we state in the applicable prospectus supplement or other offering material that the following provisions do not apply to the debt securities of that series, we may elect either:

to defease and be discharged from all obligations with respect to the debt securities, except for, among other things, the obligation to pay additional amounts, if any, upon the occurrence of some events of taxation, assessment or governmental charge with respect to payments on the debt securities and other obligations to register the transfer or exchange of the debt securities, to replace temporary or mutilated, destroyed, lost or stolen debt securities, to maintain an office or agency with respect to the debt securities and to hold moneys for payment in trust, also referred to as defeasance; or

to be released from our obligations under the applicable indenture with respect to the debt securities under some covenants as we describe in the prospectus supplement or other offering material, and our failure to comply with these obligations will not constitute an event of default with respect to the debt securities, also referred to as covenant defeasance. (Section 4.2).

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If we make either election, then the subordinated indenture's provisions relating to subordination will cease to be effective.

Defeasance or covenant defeasance is conditioned on our irrevocable deposit with the trustee, in trust, of an amount in cash or government securities, or both, sufficient to pay the principal of, any premium and interest on, and any additional amounts with respect to, the debt securities on the scheduled due dates. (Section 4.2).

Such a trust may be established for senior debt securities only if, among other things:

the applicable defeasance or covenant defeasance does not result in a breach or violation of, or constitute a default under, the applicable indenture or any other material agreement or instrument to which we are a party or by which we are bound;

no event of default, or event which with notice or lapse of time would become an event of default, has occurred and continues on the date the trust is established and, with respect to defeasance only, at any time during the period ending on the 123rd day after that date; and

we have delivered to the trustee an opinion of counsel to the effect that the holders of the debt securities will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the defeasance or covenant defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if the defeasance or covenant defeasance had not occurred. This opinion, in the case of defeasance, must refer to and be based upon a letter ruling we have received from the Internal Revenue Service, a revenue ruling published by the Internal Revenue Service or a change in applicable U.S. federal income tax law occurring after the date of the applicable indenture. (Section 4.2).

Such a trust may be established for subordinated debt securities only if, among other things, all of the foregoing has been met and, in addition:

no default in the payment of any principal of or premium or interest on any senior indebtedness has occurred and continues;

no event of default with respect to any senior indebtedness has resulted in such indebtedness becoming due and payable prior to the date on which it would otherwise have become due and payable; and

no other event of default with respect to any senior indebtedness has occurred and continues, permitting the holders of such senior indebtedness, or a trustee on behalf of such holders, to declare the senior indebtedness due and payable prior to the date on which it would otherwise have become due and payable. (Section 4.2 of the subordinated indenture).

Governing Law

The indentures and the debt securities are governed by and will be interpreted under the laws of the State of New York. (Section 1.13).

Information Concerning the Trustee

Subject to the provisions of the Trust Indenture Act of 1939, the trustee is under no obligation to exercise any of the powers vested in it by the applicable indenture at the request of any holder of debt securities unless the holder offers the trustee reasonable indemnity against the costs, expenses and liabilities which might result. The trustee is not required to expend or risk its own

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funds or otherwise incur personal financial liability in performing its duties if the trustee reasonably believes that it is not reasonably assured of repayment or adequate indemnity. (Section 6.2).

U.S. Bank National Association, the trustee under the senior indenture, is one of the lenders under our bank credit facility, U.S. Bank is a customer of MGIC and we maintain other relationships with U.S. Bank.

Subordination

The subordinated debt securities will be unsecured. The subordinated debt securities will be subordinate to the prior indefeasible payment in full in cash of all senior indebtedness. (Section 16.2 of the subordinated indenture).

The term "senior indebtedness" is defined as:

all of our indebtedness, whether outstanding on the date of the issuance of the subordinated debt securities or thereafter created, incurred or assumed, which is for money borrowed, or which is evidenced by a note, bond, indenture or similar instrument (such indebtedness in this definition is referred to as "Indebtedness");

all of our obligations under leases required or permitted to be capitalized under generally accepted accounting principles;

all of our reimbursement obligations with respect to any letter of credit, banker's acceptance, security purchase facility or similar credit transactions;

all of our conditional sales agreements or agreements or obligations to pay deferred purchase prices, other than in the ordinary course of business;

all of our obligations under interest rate swap agreements, interest rate cap agreements, interest rate collar agreements and other agreements or arrangements designed to protect against fluctuations in interest rates or foreign exchange rates;

all obligations of the types referred to in the clauses above of another person, the payment of which we are responsible or liable for as obligor, guarantor or otherwise; and

amendments, modifications, renewals, extensions, deferrals and refundings of any of the above types of indebtedness.

unless the instrument creating or evidencing these obligations provides that these obligations are not senior or prior in right of payment to the subordinated debt securities. Notwithstanding anything to the contrary in the foregoing, "senior indebtedness" will not include:

trade accounts payable or indebtedness incurred for the purchase of goods, materials or property in the ordinary course of business, or for services obtained in the ordinary course of business or for other liabilities arising in the ordinary course of business,

any indebtedness which by its terms is expressly made *pari passu* with or subordinated to the subordinated debt securities,

obligations that we owe to our subsidiaries,

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the Indebtedness of ours that is the 9% Convertible Junior Subordinated Debentures issued under the indenture dated as of March 28, 2008, as the same may be amended or modified from time to time, or

any of our Indebtedness (and any accrued and unpaid interest in respect of such Indebtedness) which by its terms is subordinate or junior in right of payment and similar matters to any other Indebtedness of ours unless such Indebtedness is expressly made

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senior to the subordinated debt securities (in which event such Indebtedness shall be "senior indebtedness" with the same effect as if expressly listed above); for the avoidance of doubt, it is understood that any Indebtedness that is subordinate or junior in right of payment and similar matters to any other Indebtedness of our but is not expressly made senior to the subordinated debt securities shall be *pari passu* with the subordinated debt securities.

The prospectus supplement or other offering material relating to any subordinated debt securities will summarize the subordination provisions of the subordinated indenture applicable to that series including:

the applicability and effect of such provisions upon any payment or distribution respecting that series following any liquidation, dissolution or other winding-up, or any assignment for the benefit of creditors or other marshaling of assets or any bankruptcy, insolvency or similar proceedings; and

the applicability and effect of such provisions in the event of specified defaults with respect to any senior indebtedness, including the circumstances under which and the periods in which we will be prohibited from making payments on the subordinated debt securities.

The failure to make any payment on any of the subordinated debt securities by reason of the subordination provisions of the subordinated indenture described in the applicable prospectus supplement or other offering material will not be construed as preventing the occurrence of an event of default with respect to the subordinated debt securities arising from any such failure to make payment.

The subordination provisions described above will not be applicable to payments in respect of the subordinated debt securities from a defeasance trust established in connection with any legal defeasance or covenant defeasance of the subordinated debt securities as described under "Discharge, Defeasance and Covenant Defeasance."

DESCRIPTION OF CAPITAL STOCK

The following description of our capital stock summarizes general terms and provisions that apply to our capital stock. Because this is only a summary it does not contain all of the information that may be important to you. The summary is subject to and qualified in its entirety by reference to our articles of incorporation, by-laws and rights agreement, which are filed as exhibits to the registration statement of which this prospectus is a part and incorporated by reference into this prospectus. See "Where You Can Find More Information."

General

Our authorized capital stock consists of 460,000,000 shares of common stock, \$1.00 par value per share, and 10,000,000 shares of preferred stock, \$1.00 par value per share. We will disclose in an applicable prospectus supplement and/or offering material the number of shares of our common stock then outstanding. As of the date of this prospectus, 125,561,696 shares of our common stock were outstanding and no shares of our preferred stock were outstanding.

Common Stock

All of our issued and outstanding shares are, and the shares to be issued pursuant to this prospectus will be, fully paid and nonassessable.

We are a holding company and our principal source of cash is dividends from MGIC. Under applicable state insurance law, the amount of cash dividends and other distributions that can be

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paid from MGIC may be restricted. We describe these restrictions in general terms in the note to our consolidated financial statements that discusses dividend restrictions. We also discuss in this note the differences between generally accepted accounting principles and statutory insurance accounting principles. One of the insurance law dividend restriction tests is based on statutory policyholders' surplus, which is computed under statutory accounting principles by counting items as liabilities that are not counted as liabilities under generally accepted accounting principles. We discuss these restrictions and differences in the notes to our consolidated financial statements included in our most recent Annual Report on Form 10-K, which is one of the documents we incorporate by reference into this prospectus. See "Where You Can Find More Information." The holders of our common stock will be entitled to receive and share equally in such dividends as may be declared by our board of directors out of funds legally available therefor. If we issue preferred stock, the holders thereof may have a priority over the holders of the common stock with respect to dividends. Also, because we are a holding company, our rights and the rights of our creditors, including the holders of debt securities, and shareholders to participate in any distribution of assets of any subsidiary upon the subsidiary's liquidation or reorganization or otherwise is subject to the prior claims of the subsidiary's creditors, except to the extent that we may be a creditor with recognized claims against the subsidiary.

Except as provided under Wisconsin law and except as may be determined by our board of directors with respect to any series of preferred stock, only the holders of our common stock will be entitled to vote for the election of members of our board of directors and on all other matters. Holders of our common stock are entitled to one vote per share of common stock held by them on all matters properly submitted to a vote of shareholders, subject to Section 180.1150 of the Wisconsin Business Corporation Law. Please see "Certain Statutory Provisions – Control Share Voting Restrictions." Shareholders have no cumulative voting rights, which means that the holders of shares entitled to exercise more than 50% of the voting power are able to elect all of the directors to be elected.

All shares of our common stock are entitled to participate equally in distributions in liquidation, subject to the prior rights of any preferred stock that may be outstanding. Holders of our common stock have no preemptive rights to subscribe for or purchase our shares. There are no conversion rights, sinking fund or redemption provisions applicable to our common stock.

Common Share Purchase Rights

On July 22, 1999, our Board of Directors declared a dividend of one common share purchase right for each outstanding share of common stock. Giving effect to subsequent amendments to the shareholder rights agreement under which the rights were issued, each right entitles the registered holder to purchase from us one share of common stock at a price of \$25.00 per share (equivalent to \$12.50 for each one-half of a share), subject to adjustment.

Until the earlier to occur of (1) 10 days following a public announcement that a person has become an acquiring person or (2) 10 business days (or such later date as may be determined by action of our board of directors prior to such time as any person becomes an acquiring person) following the commencement of, or announcement of an intention to make, a tender offer or exchange offer the consummation of which would result in a person becoming an acquiring person (the earlier of such dates being called the "distribution date"), the rights will be evidenced by common stock certificates. An "acquiring person" is any person that becomes a beneficial owner of 5% or more of our common stock. The rights are not exercisable until the distribution date.

If there is a distribution date, then each right, subject to certain limitations, will entitle its holder to purchase, at the rights' then-current purchase price, a number of shares of our common stock (or if, after the shares acquisition date, we are acquired in a business combination, common shares

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of the acquiror) having a market value at the time equal to twice the then-current purchase price of the rights. The rights will expire on August 17, 2012, subject to extension; however, if our shareholders do not approve the rights agreement at our annual meeting of shareholders scheduled to occur on May 6, 2010, our board of directors intends to redeem the rights or otherwise render them ineffective promptly after the certification of the vote. The rights are redeemable at a price of \$0.001 per right at any time prior to the time a person becomes an acquiring person. Other than certain amendments, our board of directors may amend the rights in any respect without the consent of the holders of the rights.

Preferred Stock

Shares of our preferred stock may be issued with such designations, preferences, limitations and relative rights as our board of directors may from time to time determine. Our board of directors can, without stockholder approval, issue preferred stock with voting, dividend, liquidation and conversion rights which could dilute the voting strength of the holders of the common stock. In connection with the amendment of our articles of incorporation that authorized preferred stock, our board of directors and management represented that they will not issue, without prior shareholder approval, preferred stock (1) for any defensive or anti-takeover purpose, (2) to implement any shareholder rights plan, or (3) with features intended to make any attempted acquisition of our company more difficult or costly. No preferred stock will be issued to any individual or group for the purpose of creating a block of voting power to support management on a controversial issue.

If we offer preferred stock, we will file the terms of the preferred stock with the SEC and the prospectus supplement and/or other offering material relating to that offering will include a description of the specific terms of the offering, including the following specific terms:

the series, the number of shares offered and the liquidation value of the preferred stock;

the price at which the preferred stock will be issued;

the dividend rate, the dates on which the dividends will be payable and other terms relating to the payment of dividends on the preferred stock;

the liquidation preference of the preferred stock;

the voting rights of the preferred stock;

whether the preferred stock is redeemable or subject to a sinking fund, and the terms of any such redemption or sinking fund;

whether the preferred stock is convertible or exchangeable for any other securities, and the terms of any such conversion;
and

any additional rights, preferences, qualifications, limitations and restrictions of the preferred stock.

It is not possible to state the actual effect of the issuance of any shares of preferred stock upon the rights of holders of our common stock until our board of directors determines the specific rights of the holders of the preferred stock. However, these effects might include:

restricting dividends on the common stock;

diluting the voting power of the common stock;

impairing the liquidation rights of the common stock; and

delaying or preventing a change in control of our company.

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Statutory Provisions

Business Combination Statute. Sections 180.1140 to 180.1144 of the Wisconsin Business Corporation Law regulate a broad range of business combinations between a "resident domestic corporation" and an "interested shareholder." A business combination is defined to include any of the following transactions:

a merger or share exchange;

a sale, lease, exchange, mortgage, pledge, transfer or other disposition of assets equal to 5% or more of the market value of the stock or consolidated assets of the resident domestic corporation or 10% of its consolidated earning power or income;

the issuance of stock or rights to purchase stock with a market value equal to 5% or more of the outstanding stock of the resident domestic corporation;

the adoption of a plan of liquidation or dissolution; or

certain other transactions involving an interested shareholder.

A "resident domestic corporation" is defined to mean a Wisconsin corporation that has a class of voting stock that is registered or traded on a national securities exchange or that is registered under Section 12(g) of the Securities Exchange Act of 1934 and that, as of the relevant date, satisfies any of the following:

its principal offices are located in Wisconsin;

it has significant business operations located in Wisconsin;

more than 10% of the holders of record of its shares are residents of Wisconsin; or

more than 10% of its shares are held of record by residents of Wisconsin.

We are a resident domestic corporation for purposes of these statutory provisions.

An interested shareholder is defined to mean a person who beneficially owns, directly or indirectly, 10% of the voting power of the outstanding voting stock of a resident domestic corporation or who is an affiliate or associate of the resident domestic corporation and beneficially owned 10% of the voting power of its then outstanding voting stock within the last three years.

Under this law, we cannot engage in a business combination with an interested shareholder for a period of three years following the date such person becomes an interested shareholder, unless our board of directors approved the business combination or the acquisition of the stock that resulted in the person becoming an interested shareholder before such acquisition. We may engage in a business combination with an interested shareholder after the three-year period with respect to that shareholder expires only if one or more of the following conditions is satisfied:

our board of directors approved the acquisition of the stock prior to such shareholder's acquisition date;

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the business combination is approved by a majority of the outstanding voting stock not beneficially owned by the interested shareholder; or

the consideration to be received by shareholders meets certain fair price requirements of the statute with respect to form and amount.

Fair Price Statute. The Wisconsin Business Corporation Law also provides, in Sections 180.1130 to 180.1133, that certain mergers, share exchanges or sales, leases, exchanges or other dispositions of assets in a transaction involving a significant shareholder and a resident domestic corporation such as us require a supermajority vote of shareholders in addition to any

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approval otherwise required, unless shareholders receive a fair price for their shares that satisfies a statutory formula. A "significant shareholder" for this purpose is defined as a person or group who beneficially owns, directly or indirectly, 10% or more of the voting stock of the resident domestic corporation, or is an affiliate of the resident domestic corporation and beneficially owned, directly or indirectly, 10% or more of the voting stock of the resident domestic corporation within the last two years. Any such business combination must be approved by 80% of the voting power of the resident domestic corporation's stock and at least two-thirds of the voting power of its stock not beneficially owned by the significant shareholder who is party to the relevant transaction or any of its affiliates or associates, in each case voting together as a single group, unless the following fair price standards have been met:

the aggregate value of the per share consideration is equal to the highest of:

the highest price paid for any common shares of the corporation by the significant shareholder in the transaction in which it became a significant shareholder or within two years before the date of the business combination;

the market value of the corporation's shares on the date of commencement of any tender offer by the significant shareholder, the date on which the person became a significant shareholder or the date of the first public announcement of the proposed business combination, whichever is higher; or

the highest preferential liquidation or dissolution distribution to which holders of the shares would be entitled; and

either cash, or the form of consideration used by the significant shareholder to acquire the largest number of shares, is offered.

Control Share Voting Restrictions. Under Section 180.1150 of the Wisconsin Business Corporation Law, unless otherwise provided in the articles of incorporation or otherwise specified by the board of directors, the voting power of shares of a resident domestic corporation held by any person or group of persons acting together in excess of 20% of the voting power in the election of directors is limited (in voting on any matter) to 10% of the full voting power of those shares. This restriction does not apply to shares acquired directly from the resident domestic corporation, in certain specified transactions, or in a transaction in which the corporation's shareholders have approved restoration of the full voting power of the otherwise restricted shares. Our articles do not provide otherwise.

Defensive Action Restrictions. Section 180.1134 of the Wisconsin Business Corporation Law provides that, in addition to the vote otherwise required by law or the articles of incorporation of a resident domestic corporation, the approval of the holders of a majority of the shares entitled to vote is required before such corporation can take certain action while a takeover offer is being made or after a takeover offer has been publicly announced and before it is concluded. This statute requires shareholder approval for the corporation to do either of the following:

acquire more than 5% of its outstanding voting shares at a price above the market price from any individual or organization that owns more than 3% of the outstanding voting shares and has held such shares for less than two years, unless a similar offer is made to acquire all voting shares and all securities which may be converted into voting shares; or

sell or option assets of the corporation which amount to 10% or more of the market value of the corporation, unless the corporation has at least three independent directors (directors who are not officers or employees) and a majority of the independent directors vote not to have this provision apply to the corporation.

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We currently have more than three independent directors. The foregoing restrictions may have the effect of deterring a shareholder from acquiring our shares with the goal of seeking to have us repurchase such shares at a premium over market price.

Insurance Regulations. Wisconsin's insurance regulations generally provide that no person may acquire control of us unless the transaction in which control is acquired has been approved by the Office of the Commissioner of Insurance of Wisconsin. The regulations provide for a rebuttable presumption of control when a person owns or has the right to vote more than 10% of the voting securities. In addition, the insurance regulations of other states in which MGIC is a licensed insurer require notification to the state's insurance department a specified time before a person acquires control of us. If such states disapprove the change of control, our licenses to conduct business in the disapproving states could be terminated.

DESCRIPTION OF DEPOSITARY SHARES

We may elect to offer fractional interests in shares of our preferred stock instead of whole shares of preferred stock. If so, we will allow a depositary to issue to the public depositary shares, each of which will represent a fractional interest of a share of preferred stock as described in the applicable prospectus supplement or other offering material.

Deposit Agreement

The shares of the preferred stock underlying any depositary shares will be deposited under a separate deposit agreement between us and a bank or trust company acting as depositary with respect to those shares of preferred stock. The depositary will have its principal office in the United States and have a combined capital and surplus of at least \$50,000,000. The prospectus supplement or other offering material relating to a series of depositary shares will specify the name and address of the depositary. Under the deposit agreement, each owner of a depositary share will be entitled, in proportion of its fractional interest in a share of the preferred stock underlying that depositary share, to all the rights and preferences of that preferred stock, including dividend, voting, redemption, conversion, exchange and liquidation rights.

Depositary shares will be evidenced by one or more depositary receipts issued under the deposit agreement.

Dividends and Other Distributions

The depositary will distribute all cash dividends or other cash distributions in respect of the preferred stock underlying the depositary shares to each record depositary shareholder based on the number of the depositary shares owned by that holder on the relevant record date. The depositary will distribute only that amount which can be distributed without attributing to any depositary shareholders a fraction of one cent, and any balance not so distributed will be added to and treated as part of the next sum received by the depositary for distribution to record depositary shareholders.

If there is a distribution other than in cash, the depositary will distribute property to the record depositary shareholders, unless the depositary determines that it is not feasible to make that distribution. In that case the depositary may, with our approval, adopt the method it deems equitable and practicable for making that distribution, including any sale of property and the distribution of the net proceeds from this sale to the concerned holders.

Each deposit agreement will also contain provisions relating to the manner in which any subscription or similar rights we offer to holders of the relevant series of preferred stock will be made available to depositary shareholders.

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Withdrawal of Stock

Upon surrender of depositary receipts at the depositary's office, the holder of the relevant depositary shares will be entitled to the number of whole shares of the related series of preferred stock and any money or other property those depositary shares represent. Depositary shareholders will be entitled to receive whole shares of the related series of preferred stock on the basis described in the applicable prospectus supplement or other offering material, but holders of those whole preferred stock shares will not afterwards be entitled to receive depositary shares in exchange for their shares. If the depositary receipts the holder delivers evidence a depositary share number exceeding the whole share number of the related series of preferred stock to be withdrawn, the depositary will deliver to that holder a new depositary receipt evidencing the excess number of depositary shares.

Redemption and Liquidation

The terms on which the depositary shares relating to the preferred stock of any series may be redeemed, and any amounts distributable upon our liquidation, dissolution or winding up, will be described in the applicable prospectus supplement or other offering material.

Voting

Upon receiving notice of any meeting at which preferred stockholders of any series are entitled to vote, the depositary will mail the information contained in that notice to the record depositary shareholders relating to those series of preferred stock. Each depositary shareholder on the record date will be entitled to instruct the depositary on how to vote the shares of preferred stock underlying that holder's depositary shares. The depositary will vote the shares of preferred stock underlying those depositary shares according to those instructions, and we will take reasonably necessary actions to enable the depositary to do so. If the depositary does not receive specific instructions from the depositary shareholders relating to that preferred stock, it will abstain from voting those shares of preferred stock, unless otherwise discussed in the applicable prospectus supplement or other offering material.

Amendment and Termination of Deposit Agreement

We and the depositary may amend the depositary receipt form evidencing the depositary shares and the related deposit agreement. However, any amendment that significantly affects the rights of the depositary shareholders will not be effective unless a majority of the outstanding depositary shareholders approve that amendment. We or the depositary may terminate a deposit agreement only if:

we redeemed or reacquired all outstanding depositary shares relating to the deposit agreement;

all preferred stock of the relevant series has been withdrawn; or

there has been a final distribution in respect of the preferred stock of any series in connection with our liquidation, dissolution or winding up and such distribution has been made to the related depositary shareholders.

Charges of Depositary

We will pay all charges of each depositary in connection with the initial deposit and any redemption of the preferred stock. Depositary shareholders will be required to pay any other transfer and other taxes and governmental charges and any other charges expressly provided in the deposit agreement to be for their accounts.

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Miscellaneous

Each depositary will forward to the relevant depositary shareholders all our reports and communications that we are required to furnish to preferred stockholders of any series.

Neither the depositary nor MGIC Investment Corporation will be liable if it is prevented or delayed by law or any circumstance beyond its control in performing its obligations under any deposit agreement. The obligations of MGIC Investment Corporation and each depositary under any deposit agreement will be limited to performance in good faith of their duties under that agreement, and they will not be obligated to prosecute or defend any legal proceeding in respect of any depositary shares or preferred stock unless they are provided with satisfactory indemnity. They may rely upon written advice of counsel or accountants, or information provided by persons presenting preferred stock for deposit, depositary shareholders or other persons believed to be competent and on documents believed to be genuine.

Title

MGIC Investment Corporation, each depositary and any of their agents may treat the registered owner of any depositary share as the absolute owner of that share, whether or not any payment in respect of that depositary share is overdue and despite any notice to the contrary, for any purpose. See "Legal Ownership and Book-Entry Issuance".

Resignation and Removal of Depositary

A depositary may resign at any time by issuing us a notice of resignation, and we may remove any depositary at any time by issuing it a notice of removal. Resignation or removal will take effect upon the appointment of a successor depositary and its acceptance of appointment. That successor depositary must:

be appointed within 60 days after delivery of the notice of resignation or removal;

be a bank or trust company having its principal office in the United States; and

have a combined capital and surplus of at least \$50,000,000.

DESCRIPTION OF WARRANTS

We may issue warrants for the purchase of debt securities, preferred stock, common stock or other securities. Warrants may be issued independently or together with debt securities, preferred stock or common stock offered by any prospectus supplement and/or other offering material and may be attached to or separate from any such offered securities. Each series of warrants will be issued under a separate warrant agreement to be entered into between us and a bank or trust company, as warrant agent, all as will be set forth in the prospectus supplement and/or other offering material relating to the particular issue of warrants. The warrant agent will act solely as our agent in connection with the warrants and will not assume any obligation or relationship of agency or trust for or with any holders of warrants or beneficial owners of warrants.

The following summary of certain provisions of the warrants does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all provisions of the warrant agreements.

Reference is made to the prospectus supplement and/or other offering material relating to the particular issue of warrants offered pursuant to such prospectus supplement and/or other offering material for the terms of and information relating to such warrants, including, where applicable:

the designation, aggregate principal amount, currencies, denominations and terms of the series of debt securities purchasable upon exercise of warrants to purchase debt securities and the price at which such debt securities may be purchased upon such

exercise;

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the number of shares of common stock purchasable upon the exercise of warrants to purchase common stock and the price at which such number of shares of common stock may be purchased upon such exercise;

the number of shares and series of preferred stock purchasable upon the exercise of warrants to purchase preferred stock and the price at which such number of shares of such series of preferred stock may be purchased upon such exercise;

the designation and number of units of other securities purchasable upon the exercise of warrants to purchase other securities and the price at which such number of units of such other securities may be purchased upon such exercise;

the date on which the right to exercise such warrants shall commence and the date on which such right shall expire;

U.S. federal income tax consequences applicable to such warrants;

the number of warrants outstanding as of the most recent practicable date; and

any other terms of such warrants.

Warrants will be issued in registered form only. The exercise price for warrants will be subject to adjustment in accordance with provisions described in the applicable prospectus supplement and/or other offering material.

Each warrant will entitle the holder thereof to purchase such principal amount of debt securities or such number of shares of preferred stock, common stock or other securities at such exercise price as shall in each case be set forth in, or calculable from, the prospectus supplement and/or other offering material relating to the warrants, which exercise price may be subject to adjustment upon the occurrence of certain events as set forth in such prospectus supplement and/or other offering material. After the close of business on the expiration date, or such later date to which such expiration date may be extended by us, unexercised warrants will become void. The place or places where, and the manner in which, warrants may be exercised shall be specified in the prospectus supplement and/or other offering material relating to such warrants.

Prior to the exercise of any warrants to purchase debt securities, preferred stock, common stock or other securities, holders of such warrants will not have any of the rights of holders of debt securities, preferred stock, common stock or other securities, as the case may be, purchasable upon such exercise, including the right to receive payments of principal of, premium, if any, or interest, if any, on the debt securities purchasable upon such exercise or to enforce covenants in the applicable indenture, or to receive payments of dividends, if any, on the preferred stock, or common stock purchasable upon such exercise, or to exercise any applicable right to vote.

DESCRIPTION OF STOCK PURCHASE CONTRACTS AND STOCK PURCHASE UNITS

We may issue stock purchase contracts, including contracts obligating holders to purchase from us, and obligating us to sell to the holders, a specified number of shares of common stock or other securities at a future date or dates, which we refer to in this prospectus as "stock purchase contracts." The price per share of the securities and the number of shares of the securities may be fixed at the time the stock purchase contracts are issued or may be determined by reference to a specific formula set forth in the stock purchase contracts. The stock purchase contracts may be issued separately or as part of units consisting of a stock purchase contract and debt securities, preferred securities, warrants, other securities or debt obligations of third parties, including U.S. treasury securities, securing the holders' obligations to purchase the securities under the stock purchase contracts, which we refer to herein as "stock purchase units." The stock purchase contracts may require holders to secure their obligations under the stock purchase contracts in a specified manner. The stock purchase contracts also may require us to make periodic payments to

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the holders of the stock purchase units or vice versa, and those payments may be unsecured or refunded on some basis.

The stock purchase contracts, and, if applicable, collateral or depositary arrangements, relating to the stock purchase contracts or stock purchase units, will be filed with the SEC in connection with the offering of stock purchase contracts or stock purchase units. The prospectus supplement and/or other offering material relating to a particular issue of stock purchase contracts or stock purchase units will describe the terms of those stock purchase contracts or stock purchase units, including the following:

if applicable, a discussion of material U.S. federal income tax considerations; and

any other information we think is important about the stock purchase contracts or the stock purchase units.

LEGAL OWNERSHIP AND BOOK ENTRY ISSUANCE

Unless otherwise stated in an applicable prospectus supplement or other offering material, securities will be issued in the form of one or more global certificates, or global securities, registered in the name of a depositary or its nominee. Unless otherwise stated in an applicable prospectus supplement or other offering material, the depositary will be The Depository Trust Company, commonly referred to as DTC. DTC has informed us that its nominee will be Cede & Co. Accordingly, we expect Cede & Co. to be the initial registered holder of all securities that are issued in global form, in each case for credit to accounts of direct or indirect participants in DTC as described below. Beneficial interests in the global securities may be held through the Euroclear System ("Euroclear") and Clearstream Banking, S.A. ("Clearstream") (as indirect participants in DTC). No person that acquires a beneficial interest in those securities will be entitled to receive a certificate representing that person's interest in the securities except as stated below or in an applicable prospectus supplement or other offering material. Unless definitive securities are issued under the limited circumstances described below,

all references in this prospectus to actions by holders of securities issued in global form refer to actions taken by DTC upon instructions from its participants; and

all references to payments and notices to holders refer to payments and notices to DTC or Cede & Co., as the registered holder of these securities.

The following description of the operations and procedures of DTC, Euroclear and Clearstream are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. We take no responsibility for these operations and procedures and urge investors to contact the system or their participants directly to discuss these matters.

DTC has informed us that it is a limited purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code, and a clearing agency registered under Section 17A of the Securities Exchange Act of 1934, as amended, and that it was created to hold securities for its participating organizations and to facilitate clearance and settlement of securities transactions among its participants through electronic book-entry. This eliminates the need for physical movement of certificates. DTC's participants include securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to the DTC system also is available to others, such as banks, brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

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Persons that are not participants or indirect participants but desire to purchase, sell or otherwise transfer ownership of, or other interests in, securities may do so only through participants and indirect participants (including Euroclear and Clearstream). Investors in the global securities who are not participants may hold their interests therein indirectly through organizations (including Euroclear and Clearstream) which are participants in such system. Euroclear and Clearstream may hold interests in the global securities on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories, which are Euroclear Bank S.A./N.V., as operator of Euroclear, and Citibank, N.A., as operator of Clearstream. All interests in a global security, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of such systems.

Under a book-entry format, holders may experience some delay in their receipt of payments, as these payments will be forwarded by our designated agent to Cede & Co., as nominee for DTC. DTC will forward these payments to its participants, who will then forward them to indirect participants or holders. Holders will not be recognized by the relevant registrar, transfer agent, warrant agent or unit agent as registered holders of the securities entitled to the benefits of our restated certificate of incorporation, as amended, and/or the applicable indenture, deposit agreement, warrant agreement, purchase contract agreement or unit agreement. Beneficial owners that are not participants will be permitted to exercise their rights only indirectly through and according to the procedures of participants and, if applicable, indirect participants.

Under the rules, regulations and procedures governing DTC and its operations as currently in effect, DTC will be required to make book-entry transfers of securities among participants and to receive and transmit payments to participants. Beneficial owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from participants. Payments by participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the account of customers in bearer form or registered in "street name," and will be the responsibility of such participants.

Cross-market transfers between the participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its depository; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant global security in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

Because DTC can act only on behalf of participants, the ability of a beneficial owner of securities issued in global form to pledge those securities to non-participants may be limited due to the unavailability of physical certificates for these securities. Beneficial owners may also be unable to sell interests in their securities to some insurance companies and other institutions that are required by law to own their securities in the form of physical certificates.

DTC has advised us that it will take any action permitted to be taken by a registered holder of any securities under its certificate of incorporation or the relevant indenture, deposit agreement, warrant agreement, purchase contract agreement or unit agreement only at the direction of one or more participants to whose accounts with DTC those securities are credited.

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Unless otherwise stated in the applicable prospectus supplement or other offering material, a global security will be exchangeable for definitive securities registered in the names of persons other than DTC or its nominee only if:

DTC notifies us that it is unwilling or unable to continue as depository for that global security or if DTC ceases to be a clearing agency registered under the Exchange Act when it is required to be so registered;

We execute and deliver to the relevant registrar, transfer agent, trustee, depository, warrant agent and/or unit agent an order complying with the requirements of our articles of incorporation, as amended, and amended and restated bylaws or the relevant indenture, deposit agreement, warrant agreement, purchase contract agreement and/or unit agreement that this global security shall be so exchangeable; or

there has occurred and is continuing a default in the payment of any amount due in respect of the securities or, in the case of debt securities, an event of default or an event that, with the giving of notice or lapse of time, or both, would constitute an event of default with respect to those debt securities.

In these circumstances, the global security will be exchangeable for securities registered in the names that DTC directs.

DTC will generally not be required to notify its participants of the availability of definitive securities. When DTC surrenders the global security and delivers instructions for re-registration, the registrar, transfer agent, trustee, depository, warrant agent or unit agent, as the case may be, will reissue the securities as definitive securities.

Except as described above, a global security may not be transferred except as a whole to DTC or another nominee of DTC, or to a successor depository we appoint. Except as described above, DTC may not sell, assign, transfer or otherwise convey any beneficial interest in a global security unless the beneficial interest is in an amount equal to an authorized denomination for those securities.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the global securities among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and may discontinue such procedures at any time. None of MGIC Investment Corporation, the trustees, any depository, any agent or any of their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

PLAN OF DISTRIBUTION

We may sell our securities in any one or more of the following ways from time to time: (i) through agents; (ii) to or through underwriters; (iii) through brokers or dealers; (iv) directly by us to purchasers, including through a specific bidding, auction or other process; or (v) through a combination of any of these methods of sale. The applicable prospectus supplement and/or other offering materials will contain the terms of the transaction, name or names of any underwriters, dealers, agents and the respective amounts of securities underwritten or purchased by them, the initial public offering price of the securities, and the applicable agent's commission, dealer's purchase price or underwriter's discount. Any dealers and agents participating in the distribution of the securities may be deemed to be underwriters, and compensation received by them on resale of the securities may be deemed to be underwriting discounts.

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Any initial offering price, dealer purchase price, discount or commission may be changed from time to time.

The securities may be distributed from time to time in one or more transactions, at negotiated prices, at a fixed price or fixed prices (that may be subject to change), at market prices prevailing at the time of sale, at various prices determined at the time of sale or at prices related to prevailing market prices.

Offers to purchase securities may be solicited directly by us or by agents designated by us from time to time. Any such agent may be deemed to be an underwriter, as that term is defined in the Securities Act, of the securities so offered and sold.

If underwriters are utilized in the sale of any securities in respect of which this prospectus is being delivered, such securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at fixed public offering prices or at varying prices determined by the underwriters at the time of sale. Securities may be offered to the public either through underwriting syndicates represented by managing underwriters or directly by one or more underwriters. If any underwriter or underwriters are utilized in the sale of securities, unless otherwise indicated in the applicable prospectus supplement and/or other offering material, the obligations of the underwriters are subject to certain conditions precedent, and the underwriters will be obligated to purchase all such securities if they purchase any of them.

If a dealer is utilized in the sale of the securities in respect of which this prospectus is delivered, we will sell such securities as principal. The dealer may then resell such securities to the public at varying prices to be determined by such dealer at the time of resale. Transactions through brokers or dealers may include block trades in which brokers or dealers will attempt to sell shares as agent but may position and resell as principal to facilitate the transaction or in cross trades, in which the same broker or dealer acts as agent on both sides of the trade. Any such dealer may be deemed to be an underwriter, as such term is defined in the Securities Act, of the securities so offered and sold.

Offers to purchase securities may be solicited directly by us and the sale thereof may be made by us directly to institutional investors or others, who may be deemed to be underwriters within the meaning of the Securities Act with respect to any resale thereof.

If so indicated in the applicable prospectus supplement and/or other offering material, we may authorize agents and underwriters to solicit offers by certain institutions to purchase securities from us at the public offering price set forth in the applicable prospectus supplement and/or other offering material pursuant to delayed delivery contracts providing for payment and delivery on the date or dates stated in the applicable prospectus supplement and/or other offering material. Such delayed delivery contracts will be subject only to those conditions set forth in the applicable prospectus supplement and/or other offering material.

Agents, underwriters and dealers may be entitled under relevant agreements with us to indemnification by us against certain liabilities, including liabilities under the Securities Act, or to contribution with respect to payments which such agents, underwriters and dealers may be required to make in respect thereof. The terms and conditions of any indemnification or contribution will be described in the applicable prospectus supplement and/or other offering material.

We may also sell shares of our common stock through various arrangements involving mandatorily or optionally exchangeable securities, and this prospectus may be delivered in connection with those sales.

We may enter into derivative, sale or forward sale transactions with third parties, or sell securities not covered by this prospectus to third parties in privately negotiated transactions. If the

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applicable prospectus supplement and/or other offering material indicates, in connection with those transactions, the third parties may sell securities covered by this prospectus and the applicable prospectus supplement and/or other offering material, including in short sale transactions and by issuing securities not covered by this prospectus but convertible into, exchangeable for or representing beneficial interests in securities covered by this prospectus, or the return of which is derived in whole or in part from the value of such securities. The third parties may use securities received under derivative, sale or forward sale transactions or securities pledged by us or borrowed from us or others to settle those sales or to close out any related open borrowings of stock, and may use securities received from us in settlement of those transactions to close out any related open borrowings of stock. The third party in such sale transactions will be an underwriter and will be identified in the applicable prospectus supplement (or a post-effective amendment) and/or other offering material.

Underwriters, broker-dealers or agents may receive compensation in the form of commissions, discounts or concessions from us. Underwriters, broker-dealers or agents may also receive compensation from the purchasers of shares for whom they act as agents or to whom they sell as principals, or both. Compensation as to a particular underwriter, broker-dealer or agent will be in amounts to be negotiated in connection with transactions involving shares and might be in excess of customary commissions. In effecting sales, broker-dealers engaged by us may arrange for other broker-dealers to participate in the resales.

Any securities offered other than common stock will be a new issue and, other than the common stock, which is listed on the New York Stock Exchange, will have no established trading market. We may elect to list any series of securities on an exchange, and in the case of the common stock, on any additional exchange, but, unless otherwise specified in the applicable prospectus supplement and/or other offering material, we shall not be obligated to do so. No assurance can be given as to the liquidity of the trading market for any of the securities.

Agents, underwriters and dealers may engage in transactions with, or perform services for, us or our subsidiaries in the ordinary course of business.

Any underwriter may engage in overallotment, stabilizing transactions, short covering transactions and penalty bids in accordance with Regulation M under the Securities Exchange Act of 1934. Overallotment involves sales in excess of the offering size, which create a short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Short covering transactions involve purchases of the securities in the open market after the distribution is completed to cover short positions. Penalty bids permit the underwriters to reclaim a selling concession from a dealer when the securities originally sold by the dealer are purchased in a covering transaction to cover short positions. Those activities may cause the price of the securities to be higher than it would otherwise be. If commenced, the underwriters may discontinue any of the activities at any time. An underwriter may carry out these transactions on the New York Stock Exchange, in the over-the-counter market or otherwise.

The place and time of delivery for securities will be set forth in the accompanying prospectus supplement and/or other offering material for such securities.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC (File No. 001-10816). We also filed a registration statement on Form S-3, including exhibits, under the Securities Act of 1933 with respect to the securities offered by this prospectus. This prospectus is a part of that registration statement, but does not contain all of the information included in the registration statement or the exhibits to the registration statement. You may read and copy the registration statement and any other document we file at the SEC's Public Reference

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Room at 100 F Street, N.E., Washington, D.C., 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our SEC filings are also available to the public at the SEC's web site at <http://www.sec.gov> or on our website located at <http://mtg.mgic.com>.

We are "incorporating by reference" specified documents that we file with the SEC, which means:

incorporated documents are considered part of this prospectus;

we are disclosing important information to you by referring you to those documents; and

information we file with the SEC will automatically update and supersede information contained in this prospectus.

We incorporate by reference the documents listed below and any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 (1) after the date of the initial registration statement and prior to effectiveness of the registration statement and (2) after the date of this prospectus and before the end of the offering of the securities pursuant to this prospectus:

our annual report on Form 10-K for the year ended December 31, 2009;

our current reports on Form 8-K filed with the SEC on February 3, 2010, February 16, 2010, February 23, 2010, March 15, 2010, April 19, 2010 and April 20, 2010 (other than the portions of such Form 8-K that are furnished under applicable SEC rules rather than filed);

the description of our common stock contained in our Registration Statement on Form 8-A, dated July 25, 1991, and any amendment or report updating that description; and

the description of our common share purchase rights contained in our Registration Statement on Form 8-A/A dated December 29, 2009, and any amendment or report updating that description.

You may request a copy of these filings, at no cost, by writing to or telephoning us at our principal executive offices:

MGIC Investment Corporation
MGIC Plaza
250 East Kilbourn Avenue
Milwaukee, Wisconsin 53202
(414) 347-6480
Attention: Secretary

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You should not assume that the information in this prospectus, any prospectus supplement or any other offering material, or the information we file or previously filed with the SEC that we incorporate by reference in this prospectus or any prospectus supplement or other offering material, is accurate as of any date other than its respective date. Our business, financial condition, results of operations and prospects may have changed since those dates.

LEGAL MATTERS

Foley & Lardner LLP will pass upon the validity of the securities offered pursuant to this prospectus for us.

EXPERTS

The financial statements and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) incorporated in this prospectus by reference to our Annual Report on Form 10-K for the year ended December 31, 2009 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

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\$350,000,000

MGIC Investment Corporation

% Convertible Senior Notes due 2020

PROSPECTUS SUPPLEMENT
, 2013

Goldman, Sachs & Co.
