INGERSOLL RAND CO LTD
Form PRE 14A
March 19, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

x Preliminary Proxy Statement

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

¨ Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

INGERSOLL-RAND COMPANY LIMITED

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

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

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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Ingersoll-Rand Company Limited

US Mailing Address:

One Centennial Avenue

Piscataway, NJ 08855

(xxx) xxx-xxxx

NOTICE OF 2009 ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders of Ingersoll-Rand Company Limited will be held on Wednesday, June 3, 2009, at 2:30 p.m., local time, at located at Dublin, Ireland, to consider and vote upon the following proposals:

1. To elect twelve directors to hold office for one year.
2. To consider and approve an advisory proposal relating to the company s executive pay-for-performance compensation policies and procedures.
3. To approve the Amended and Restated Incentive Stock Plan of 2007.
4. To approve the appointment of PricewaterhouseCoopers LLP as independent auditors of the company and authorize the Board of Directors to fix the auditors remuneration.
5. To conduct such other business properly brought before the meeting.

Only shareholders of record as of the close of business on April 6, 2009, are entitled to receive notice of and to vote at the Annual General Meeting.

Directions to the meeting can be found in Appendix A of the attached proxy statement.

Whether or not you plan to attend the meeting, please provide your proxy by either using the internet as directed in the accompanying proxy card or filling in, signing, dating, and promptly mailing the accompanying proxy card in the enclosed.

By order of the Board of Directors,

BARBARA A. SANTORO
Vice President Corporate Governance and Secretary

Piscataway, New Jersey

April , 2009

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US Mailing Address:

One Centennial Avenue
Piscataway, NJ 08855
(xxx) xxx-xxxx

PROXY STATEMENT

INFORMATION CONCERNING VOTING AND SOLICITATION

In this proxy statement, Ingersoll Rand, the Company, we, us and our refer to Ingersoll-Rand Company Limited, a Bermuda company, or, fo any information prior to January 1, 2002, to Ingersoll-Rand Company, a New Jersey corporation, which, as of that date, became an indirect, wholly-owned U.S. subsidiary of Ingersoll-Rand Company Limited.

Under our Bye-laws and Bermuda law, audited financial statements must be presented to shareholders at an annual general meeting of shareholders. To fulfill this requirement, we will present at the 2009 Annual General Meeting of Shareholders (the Annual General Meeting) our audited consolidated financial statements for the 2008 fiscal year. Copies of these consolidated financial statements are contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008, which is being mailed to shareholders together with this proxy statement.

This proxy statement and the enclosed proxy card are first being mailed to you on or about April , 2009.

Why Did I Receive This Proxy Statement?

We sent you this proxy statement, together with the enclosed proxy card, because our Board of Directors is soliciting your proxy to vote at the Annual General Meeting of Shareholders to be held on June 3, 2009. This proxy statement summarizes the information you need to know to vote on an informed basis.

How Do I Attend The Annual General Meeting?

All shareholders are invited to attend the Annual General Meeting. **Either an admission ticket or proof of ownership of Class A common shares, as well as a form of personal identification, must be presented in order to be admitted to the Annual General Meeting.** If you are a shareholder of record, your admission ticket is attached to the enclosed proxy card. If you plan to attend the Annual General Meeting, please vote your proxy, but keep the admission ticket and bring it to the Annual General Meeting together with a form of personal identification.

If your shares are held in the name of a bank, broker or other holder of record and you plan to attend the Annual General Meeting, you must present proof of your ownership of Class A common shares, such as a bank or brokerage account statement, together with a form of personal identification to be admitted to the Annual General Meeting. If you would rather have an admission ticket, you can obtain one in advance by mailing a written request, **along with proof of your ownership of Class A common shares,** to:

Secretary

Ingersoll-Rand Company Limited

One Centennial Avenue

Piscataway, New Jersey 08855

No cameras, recording equipment, electronic devices, large bags, briefcases or packages will be permitted at the Annual general meeting.

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Who May Vote?

You are entitled to vote if you owned the Company s Class A common shares at the close of business on April 6, 2009, which we refer to as the record date. At that time, there were shares of the Company s Class A common shares outstanding and entitled to vote. Each share of the Company s Class A common share that you own entitles you to one vote on all matters to be voted upon at the Annual General Meeting.

How Do I Vote?

Shareholders of record can cast their votes by proxy by:

- using the internet and voting at the website as directed on the enclosed proxy card; or
- completing, signing and returning the enclosed proxy card.

To vote your shares directly, you may attend the Annual General Meeting and cast your vote in person. Shareholders who hold their shares through a broker must vote their shares in the manner prescribed by their broker.

The internet voting procedures are designed to authenticate votes cast by use of a personal identification number. The procedures allow shareholders to appoint a proxy to vote their shares and to confirm that their instructions have been properly recorded. If you are a shareholder of record and you would like to vote by using the internet, please refer to the specific instructions contained on the enclosed proxy card. If you vote by using the internet, you do not need to return the enclosed proxy card. In order to be timely processed, an internet vote must be received by 11:59 p.m. Eastern Time on June 2, 2009.

How May Employees Vote Under Our Employee Plans?

If you participate in the Ingersoll-Rand Company Employee Savings Plan, the Ingersoll-Rand Company Employee Savings Plan for Bargained Employees, the Ingersoll-Rand/Thermo King de Puerto Rico Retirement Savings Plan, the Trane Employee Stock Ownership Plan, the Trane Savings Plan or the Trane 401(k) and Thrift Plan, then you may be receiving these materials because of shares held for you in those plans. In that case, you may use the enclosed proxy card to instruct the plan trustees of those plans how to vote your shares, or give those instructions over the internet. They will vote these shares in accordance with your instructions and the terms of the plan.

If you do not provide voting instructions for shares held for you in any of these plans, the plan trustees will vote these shares in the same ratio as the shares for which voting instructions are provided.

May I Revoke My Proxy?

You may revoke your proxy at any time ***before it is voted at the Annual General Meeting*** in any of the following ways:

- by notifying the Company s Secretary in writing at Ingersoll-Rand Company Limited, One Centennial Avenue, Piscataway, New Jersey 08855;
- by submitting another properly signed proxy card with a later date or another internet proxy at a later date; or
- by voting in person at the Annual General Meeting.

You may not revoke a proxy merely by attending the Annual General Meeting. To revoke a proxy, you must take one of the actions described above.

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How Will My Proxy Get Voted?

If you properly complete, sign and date the enclosed proxy card and send it to us or properly deliver your proxy over the internet, your proxy holder (one of the individuals named on the enclosed proxy card) will vote your shares as you have directed. Under the rules of The New York Stock Exchange (NYSE), if your broker or nominee is a member of the NYSE and holds your shares in its name, the broker or nominee may vote your shares on Items 1 and 4 (routine matters) if it does not receive instructions from you. However, your broker or nominee may not vote your shares on Items 2 and 3 (non-routine matter) if it does not receive instructions from you and, accordingly, such shares will not be counted as votes for or against the non-routine matter, but rather will not be counted at all.

If you do not specify on the enclosed proxy card that is sent to the Company (or when giving your proxy over the internet) how you want to vote your shares, the proxy holders will vote them FOR the election of all nominees for director as set forth under Item 1, FOR the approval of the advisory (non-binding) proposal set forth in this proxy statement under Item 2, FOR the approval of the Amended and Restated Incentive Stock Plan of 2007 under Item 3 and FOR the approval of appointment of independent auditors under Item 4.

What Constitutes A Quorum?

The presence of at least two persons present in person and representing in person or by proxy a majority of all outstanding Class A common shares is necessary to constitute a quorum for the conduct of business. Abstentions and broker non-votes (shares held by a broker or nominee that are represented at the Annual General Meeting, but with respect to which the broker or nominee is not empowered to vote on a proposal) are treated as shares present for the purposes of determining whether a quorum exists.

What Vote Is Required To Approve Each Proposal?

The affirmative vote of a majority of the Class A common shares represented and voting at the Annual General Meeting is required to approve each proposal.

Although abstentions and broker non-votes are counted as shares present at the Annual General Meeting for the purpose of determining whether a quorum exists, they are not counted as votes cast and, accordingly, will not affect the outcome of the vote.

Who Will Count The Votes?

will act as inspector of election and will tabulate the votes.

Who Pays The Expenses Of This Proxy Statement?

We have hired Georgeson Shareholder Communications Inc. to assist in the distribution of proxy materials and the solicitation of proxies for a fee estimated at $19,000, plus out-of-pocket expenses. Proxies will be solicited on behalf of the Board of Directors by mail, in person and by telephone. We will bear the cost of soliciting proxies. We will also reimburse brokers and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy materials to the persons for whom they hold shares.

How Will Voting On Any Other Matter Be Conducted?

Although we do not know of any matters to be presented or acted upon at the Annual General Meeting other than the items described in this proxy statement, if any other matter is proposed and properly presented at the Annual General Meeting, the proxy holders will vote on such matters in accordance with their best judgment.

PROPOSALS REQUIRING YOUR VOTE

Item 1. Election of Directors

In June 2008, the company s Bye-laws were amended to change the vote standard for the election of directors from a plurality of votes cast to a majority of votes cast in uncontested elections. A majority of the votes cast means that the number of votes cast for a director nominee must exceed the number of votes cast against that director nominee. In contested elections, the vote standard will continue to be a plurality of the votes cast. In addition, the Bye-laws were amended to provide that if a director is not re-elected in a non-contested director election, the director shall tender his or her resignation to the Board of Directors and the Corporate Governance and Nominating Committee will make a recommendation to the Board of Directors on whether to accept or reject the resignation, or whether other action should be taken. The Board of Directors will act on the Corporate Governance and Nominating Committee s recommendation and publicly disclose its decision and the rationale behind it within 90 days from the date of the certification of the election.

Each director of the Company, other than Mr. Lichtenberger, is being nominated for election for a one-year term expiring at the 2010 Annual General Meeting or until their successors, if any, are elected and qualified. Mr. Lichtenberger has indicated his intention to retire from the Board of Directors, upon completion of his one-year term expiring at the start of the Annual General Meeting.

The Board of Directors recommends a vote FOR this proposal.

Ann C. Berzin age 57, director since 2001

Chairman and Chief Executive Officer of Financial Guaranty Insurance Company (insurer of municipal bonds and structured finance obligations), a subsidiary of General Electric Capital Corporation, from 1992 to 2001.

Director of:

Constellation Energy Group, Inc.

Kindred Healthcare, Inc.

Other Activities: Director, ArtsConnection

Jared L. Cohon age 61, director since 2008

President of Carnegie Mellon University since 1997 and also appointed Professor of Civil and Environmental Engineering and Professor of Engineering and Public Policy.

Dean of the School of Forestry and Environmental Studies at Yale University from 1992 to 1997.

Faculty member the Department of Geography and Environmental Engineering at Johns Hopkins University, where he also served as Assistant and Associate Dean of Engineering and Vice Provost for Research from 1986 to 1992.

Other Activities:

Appointed by President George W. Bush to serve on his Homeland Security Advisory Council in 2002.

Gary D. Forsee age 59, director since 2007

President, University of Missouri System since February 2008.

Chairman of the Board (from 2006-2007) and Chief Executive Officer (from 2005-2007) of Sprint Nextel Corporation.

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Chairman of the Board and Chief Executive Officer of Sprint Corporation from 2003 to 2005.

Vice Chairman Domestic Operations of BellSouth Corporation from 2002 to 2003.

Vice Chairman and President of BellSouth International from 2001 to 2002.

Director of Great Plains Energy Inc.

Other Activities:

Trustee, National Board of Trustees, Boy Scouts of America

Trustee, National Association of Basketball Coaches Foundation

Peter C. Godsoe age 70, director since 1998

Chairman of the Board and Chief Executive Officer of The Bank of Nova Scotia (a Canadian-based international bank) from 1995 until retirement in 2004.

Director of:

Barrick Gold Corporation

Lonmin plc

Onex Corporation

Rogers Communications Inc.

Other Activities:

Director, Perimeter Institute for Theoretical Physics

Director, Canadian Council of Christians and Jews

Director, Mount Sinai Hospital

Edward E. Hagenlocker age 69, director since 2008

Vice-Chairman of Ford Motor Company from 1996 until his retirement in 1999.

Chairman of Visteon Automotive Systems from 1997 to 1999.

Director of:

Air Products and Chemicals, Inc.

AmeriSourceBergen Corporation

Herbert L. Henkel age 60, director since 1999

Chairman of the Board (since May 2000) and President and Chief Executive Officer (since October 1999) of the Company.

President and Chief Operating Officer of the Company from April 1999 to October 1999.

Chief Operating Officer of Textron Inc. (a multi-industry company with operations in aircraft, automotive, industrial and finance) from 1998 to March 1999.

Vice President of Textron Inc. responsible for Textron Industrial Products Segment from 1993 to 1998.

Director of:

3M Company

C.R. Bard, Inc.

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Constance J. Horner age 67, director since 1994

Guest Scholar at the Brookings Institution from 1993 to 2005.

Commissioner of U.S. Commission on Civil Rights from 1993 to 1998.

Assistant to the President and Director of Presidential Personnel from 1991 to 1993.

Deputy Secretary, U.S. Department of Health and Human Services from 1989 to 1991.

Director of:

Pfizer Inc.

Prudential Financial, Inc.

Other Activities:

Trustee, The Prudential Foundation

Fellow, National Academy of Public Administration

Theodore E. Martin age 69, director since 1996

President and Chief Executive Officer of Barnes Group Inc. (manufacturer and distributor of precision springs and custom metal parts) from 1995 until retirement in 1998.

Director of:

C. R. Bard, Inc.

Strong Tool Company

Unisys Corporation

Other Activities:

Director, Edna McConnell Clark Foundation

Trustee (emeritus), Syracuse University

Patricia Nachtigal age 62, director since 2002

Senior Vice President and General Counsel of the Company since 2000.

Vice President and General Counsel of the Company from 1992 to 2000.

Other Activities:

Vice Chair, Board of Governors, Rutgers, The State University of New Jersey

Trustee, Rutgers, The State University of New Jersey

Advisory Trustee, National Multiple Sclerosis Society Greater North Jersey Chapter Board of Trustees

Orin R. Smith age 73, director since 1995

Chairman and Chief Executive Officer of Engelhard Corporation (provider of specialty chemical products, engineered materials and industrial commodities management services for various industries) from 1995 until retirement in 2000.

President and Chief Executive Officer of Engelhard Corporation from 1984 to 1995.

Director of Vulcan Materials Company.

Other Activities: Trustee, Duxbury Bay Maritime School.

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Richard J. Swift age 64, director since 1995

Chairman of Financial Accounting Standards Advisory Council from January 2002 until December 2006.

Chairman, President and Chief Executive Officer of Foster Wheeler Ltd. (provider of design, engineering, construction, manufacturing, management and environmental services) from 1994 until 2001.

Director of:

CVS Caremark Corporation

Hubbell Incorporated

Kaman Corporation

Public Service Enterprise Group

Tony L. White age 62, director since 1997

Chairman, President and Chief Executive Officer of Applera Corporation (a developer, manufacturer and marketer of life science systems and genomic information products) from 1995 until retirement in 2008.

Executive Vice President of Baxter International Inc. (provider of medical products and services) from 1993 to 1995.

Director of C.R. Bard, Inc.

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Item 2. Approval of Executive Pay-For-Performance Compensation

Many of our shareholders have expressed an interest in a non-binding advisory vote on the overall executive pay-for-performance compensation policies and procedures employed by the Company, as described in the Compensation Discussion and Analysis (CD&A) in this Proxy Statement. We believe that both the Company and shareholders benefit from responsive corporate governance policies and constructive and consistent dialogue. Thus, with Board of Directors approval, the Company announced in October 2008 that the Company would provide shareholders with the right to cast an advisory vote on our compensation program at the annual meeting of shareholders in 2009.

This proposal, commonly known as a Say-on-Pay proposal, gives you as a shareholder the opportunity to endorse or not endorse our executive pay program and policies through the following resolution:

Resolved, that the shareholders approve the overall executive pay-for-performance compensation policies and procedures guided by the Company s five design principles (general program competitiveness, pay for performance, internal parity, alignment with various business strategies and shareholder alignment) and employed by the Company, as described in the Compensation Discussion and Analysis in this Proxy Statement.

Because your vote is advisory, it will not be binding upon the Board of Directors. However, the Compensation Committee will take into account the outcome of the vote when considering future executive compensation arrangements.

In considering your vote, please be advised that our compensation policies and procedures are guided by five design principles, as described in the CD&A in this Proxy Statement:

- *General program competitiveness*
- *Pay for performance*
- *Internal parity*
- *Alignment with various business strategies*
- *Shareholder alignment*

By following these five design principles, we believe that our compensation policies and procedures enable a pay-for-performance culture and are strongly aligned with the long-term interests of our shareholders.

The Board of Directors recommends a vote FOR this proposal approving the pay-for-performance compensation policies and procedures employed by the Company.

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Item 3. Approval of the Amended and Restated Incentive Stock Plan of 2007

The Company s shareholders are being asked to approve the Company s Amended and Restated Incentive Stock Plan of 2007 (the 2007 Plan), which amends the existing plan (i) to increase the number of the Company s Class A common shares reserved for issuance under the 2007 Plan by 13,500,000 shares, (ii) to provide that net settlement shares retained by the Company in order to satisfy the tax withholding obligations of a plan participant with respect to awards of other than stock options or stock appreciation rights shall not be counted against the limit set forth in Section 3 of the 2007 Plan and (iii) to provide that for all awards issued on or after June 3, 2009, each share issued in connection with awards other than stock options or stock appreciation rights shall count as the issuance of 2.05 shares for purposes of the share limit set forth in Section 3 of the 2007 Plan.

Both the Compensation Committee and the Board of Directors have approved these amendments, subject to shareholder approval at the annual general meeting.

Increasing the number of the Company s Class A common shares reserved for issuance will assure that a sufficient number of shares remains available for issuance under the 2007 Plan in order to allow the Company to continue to use equity incentives to attract, retain and motivate the services of key individuals and other personnel essential to the company s long-term growth and financial success. The company relies significantly on equity incentives in the form of stock options and other stock-based awards believing that such equity incentives are necessary for the company to remain competitive in the marketplace for executive talent and other key employees. Incentive awards made to newly-hired or continuing employees are based on both competitive market conditions and individual performance. The Company has had shareholder-approved incentive compensation programs since 1959 as a means of providing long-term incentives to key executives and other key employees of the Company and its subsidiaries. The Board of Directors believes that these plans have proved to be an important means of attracting, retaining and motivating key personnel and are necessary for the Company to achieve superior performance in the future. Therefore, shareholder approval of the amendment of the 2007 Plan is vitally important.

Clarifying the treatment of shares that are retained by the Company in order to satisfy the withholding obligations of a plan participant with respect to awards of other than stock options or stock appreciation rights allows the Company to conserve share usage under the 2007 Plan by counting against the share limit only those shares actually issued to plan participants in connection with such awards.

The following is a summary of the principal features of the 2007 Plan and is qualified in its entirety by reference to the 2007 Plan. The summary does not purport to be a complete description of all the provisions of the 2007 Plan.

A marked copy of the 2007 Plan (as proposed to be amended and restated) is attached to this proxy statement as Appendix B.

Description of the 2007 Plan

The 2007 Plan currently authorizes the issuance of up to 14,000,000 shares in connection with such stock incentives. As of March 19, 2009, the Company has made incentive awards amounting to 12,164,293 Class A common shares reserved for issuance under the 2007 Plan. As a result, 1,835,707 Class A common shares remain available for incentive awards under the 2007 Plan. This amount includes shares that have been forfeited or otherwise terminated without issuance of shares. Including the additional 13,500,000 shares that we are asking shareholders to approve for issuance under the 2007 Plan, there would be 15,335,707 shares available for issuance under the 2007 Plan, which represents approximately 4.7% of the outstanding shares as of April 6, 2009. The closing price of the Class A common shares on the NYSE composite tape on April 6, 2009 was $. Shares not issued because of the termination or cancellation of individual stock incentives can be reused under the 2007 Plan.

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The 2007 Plan permits the grant of stock incentives to key employees as determined by the Compensation Committee and to all non-employee directors. Approximately 1,500 employees (approximately 2% of all employees) are currently considered eligible for the grant of stock incentives. We cannot state the value or number of shares subject to any particular stock incentive to be granted to key employees, since these matters will be determined by the Compensation Committee in the future based on the guidelines described below under the heading Compensation Discussion and Analysis . We expect, therefore, that key employees will continue to be granted stock incentives on a basis generally comparable to prior grants.

The following table sets forth information with respect to grants made in fiscal year 2009 through April 6, 2009 under the 2007 Plan to each of our current Named Executive Officers, our current executive officers as a group, our current directors who are not executive officers as a group and all employees (excluding our current executive officers and directors) as a group. Restricted Share Units (RSUs) were provided to Named Executive Officers, other than the CEO, and plan participants beginning in February 2009 to help manage the usage of shares.

		Restricted		Performance Stock Units(1)		
Name	**Options (#)**	**Stock Units (#)**	**Performance Shares (#)**	**Threshold (#)**	**Target (#)**	**Maximum (#)**
Current executive officers as a group (persons)						
Current directors who are not executive officers as a group						
All current employees, excluding our current executive officers and directors (persons)						

(1) Amounts represent the threshold, target and maximum number of shares of our Class A common shares which may be earned under the 2007 Plan in accordance with the terms of our 2009-2010 Performance Stock Unit awards and 2009-2011 Performance Stock Unit awards. Performance stock units will be earned, if at all, following the end of the performance period, subject to the achievement of certain performance metrics. See Compensation Discussion and Analysis contained in this proxy statement for a description of our Performance Stock Unit Program.

The Company intends to continue to grant equity incentives under the 2007 Plan to eligible officers and key employees. No determination has been made as to which of the persons eligible to participate in the 2007 Plan will receive awards under the 2007 Plan in the future and, therefore, the future benefits to be allocated to any individual or to various groups of eligible participants are not presently determinable.

Stock Options and Stock Appreciation Rights

Stock options and stock appreciation rights are forms of stock incentives. Neither options nor stock appreciation rights may be granted at less than the fair market value of our Class A common shares on the date of grant. The term of an option or a stock appreciation right cannot exceed ten years. The 2007 Plan prohibits amending, or canceling and re-granting, an option or a stock appreciation right to lower the exercise price.

Stock appreciation rights entitle the holder to receive Class A common shares with a value equal to the difference between the opening price of the Class A common shares on the NYSE on the exercise date and the fair market value at the time the rights were granted. Payment is made in Class A common shares. Stock appreciation rights may be granted either independently or in conjunction with options.

Options and stock appreciation rights terminate within specified periods upon the holder s termination of employment. A holder of options or rights may not exercise them under any circumstances once they have expired.

For employees who are not classified as an executive officer of the Company, shares purchased under an option may be paid for in cash (or its equivalent) in full at the time of the exercise or through the cashless exercise method subject to the Company withholding for the payment of taxes associated with the exercise of options. For executive officers, shares purchased under an option may only be paid in cash (or its equivalent) in full at the time of the exercise.

Stock Awards

The 2007 Plan permits the payment of incentive awards in Class A common shares. A stock award may, but need not, be contingent in whole or in part upon the attainment of certain pre-established performance objectives, as described below. Shares subject to an award may be issued at the time the award is granted, or at any time thereafter, or in installments and may be subject to forfeiture as the Compensation Committee may decide.

Performance-Based Awards

The 2007 Plan sets forth the following performance criteria that the Compensation Committee may apply to determine the amount of performance-based awards: consolidated earnings before or after taxes (including earnings before interest, taxes, depreciation and amortization), net income, operating income, earnings per share, book value per share, return on shareholders equity, expense management, return on invested capital, improvements in capital structure, profitability of an identifiable business unit or product, maintenance or improvement of profit margins or revenue, stock price, market share, revenues or sales, costs, available cash flow, working capital, return on assets, total shareholder return, productivity ratios and economic value added, in each case determined without regard to extraordinary items. The maximum amount of performance-based awards that may be awarded to a participant during any calendar year cannot exceed: (i) with respect to performance-based awards that are options or stock appreciation rights, 750,000 shares and (ii) with respect to performance-based awards that are not options or stock appreciation rights, $10,000,000 in value on the date of the award. In addition, the Compensation Committee can reduce, but not increase, the amount of any performance-based award payable to a participant as it deems appropriate in its discretion.

Limitation on Full Value Awards

The 2007 Plan provides for equity-based awards that fall into two categories: (a) stock options and stock appreciation rights in which potential incentive compensation is based on appreciation in the value of shares (Appreciation Awards) and (b) all other stock-based awards in which the potential incentive compensation is based on the full value of shares (Full Value Awards). In recognition of the differences between these categories, the 2007 Plan limited the awards of Full Value Awards to 25% of the total number of shares authorized under the 2007 Plan. The amended 2007 Plan provides that for all awards issued on or after June 3, 2009, the 25% limit on Full Value Awards shall not apply; instead, each share issued in connection with Full Value Awards shall count as 2.05 shares for purposes of the overall share limit set forth in Section 3 of the 2007 Plan.

Certain Practices Prohibited

The 2007 Plan prohibits re-pricing of options and stock appreciation rights or the cancellation of options and stock appreciation rights in exchange for such awards with lower exercise prices. Adjustments to outstanding awards based on standard anti-dilution provisions are permitted. The amount of performance-based awards actually paid to any participant under the 2007 Plan cannot be greater than the amount determined by the applicable performance goal formula.

Adjustment and Change in Control Provisions

The 2007 Plan provides that in the event of a reorganization, recapitalization, split-up or consolidation of Class A common shares of, or other significant corporate transaction involving, the Company, shares subject to a stock incentive shall be equitably adjusted as to number, classification, exercise price or fair market value (in the case of stock appreciation rights) and date of exercise.

Upon a change in control, all outstanding stock options and stock appreciation rights shall become fully vested and exercisable, all performance periods and performance goals associated with performance-based awards shall be deemed to have been met at their target level and all other stock-based awards shall become vested and payable. In addition, the Compensation Committee has authority to take certain actions upon a change in control, including, without limitation, cancellation of awards for fair value.

Term, Administration and Amendment

The 2007 Plan has a term of ten years and is administered by the Compensation Committee which is composed of independent directors. In general, the Compensation Committee is authorized to interpret the 2007 Plan, to establish, amend and rescind any rules and regulations relating to the 2007 Plan and has full authority to establish the terms and conditions of awards consistent with the provision of the 2007 Plan (including the authority to waive any such terms and conditions at any time). The Compensation Committee may amend the 2007 Plan as it deems necessary to permit the granting of awards to meet the requirements of the Code or other applicable law. In addition, all determinations in respect of awards to any key employee or to non-employee directors are made, based upon the recommendations of such Committee, by a committee consisting of all non-employee directors under Rule 16b-3 under the Securities Exchange Act of 1934 and as outside directors under Section 162(m) of the Code and the regulations promulgated thereunder.

The 2007 Plan may be amended, altered or discontinued by the Board of Directors at any time without shareholder approval. No such amendment, alteration or discontinuation may, however, (1) increase the total number of shares that may be issued under the Plan or change the maximum number of shares for which awards may be granted to any participant or (2) diminish the rights of a participant under any outstanding award without their consent.

U.S. Federal Income Tax Consequences

The following is a brief description of the U.S. Federal income tax consequences generally arising with respect to the grant, exercise and disposition of stock options and other stock-based incentives, based on current U.S. Federal income tax laws. This summary is not intended to be exhaustive, does not constitute tax advice and, among other things, does not describe state, local or foreign tax consequences, all of which may be substantially different.

Section 162(m). Section 162(m) of the Federal income tax laws may limit our ability to deduct certain compensation payable to certain executive officers. The 2007 Plan has been designed so that we will be able to deduct the compensation payable with regard to non-qualified options as well as restricted stock or restricted stock units that will become vested upon the achievement of performance objectives, without regard to this limit.

Stock Options. Generally, the grant of a stock option will create no tax consequences for the participant or the Company. Upon exercise of a nonqualified option (which all options granted under the 1998 and 2007 Plans have been), the participant will generally recognize ordinary income equal to the excess of the share s fair market value on the exercise date over the option exercise price. The Company generally will be entitled to a tax deduction at the same time and in the same amount. Upon exercise of an incentive stock option (as defined in the Code), no taxable income will be recognized by the participant and the Company will not be entitled to a tax deduction by reason of such exercise. However, if shares purchased pursuant to the exercise of an incentive stock

option are sold within two years from the date of grant or within one year after the transfer of such shares to the participant, then the participant will recognize ordinary income in the year of disposition equal to the difference, with certain adjustments, between the fair market value of the shares at the date of exercise and the option exercise price and the Company will generally be entitled to a tax deduction at the same time and in the same amount. In the event of a sale of shares purchased upon exercise of either a nonqualified option or an incentive stock option, any appreciation above or depreciation below the fair market value at the date of exercise will generally qualify as capital gain or loss. If shares purchased upon the exercise of a nonqualified option are transferred to the participant subject to restrictions, then, depending upon the nature of the restrictions, the income realized by the participant and the Company s tax deduction may be deferred and measured by the excess of the fair market value of the shares over the option price at the time the restrictions lapse.

Restricted Stock Units. A participant generally will not recognize taxable income on the grant of a restricted stock unit until shares subject to the award are distributed. The amount of this ordinary income will be the fair market value of the shares on the date of distribution. Any dividend equivalents paid on the restricted stock units are taxable as ordinary income when paid to the participant.

Restricted Stock. Generally, a participant who receives restricted stock will recognize ordinary income at the time that the restricted stock is no longer subject to a substantial risk of forfeiture. The amount of this ordinary income will be the fair market value of the shares on that date. However a participant may elect under Section 83(b) of the Internal Revenue Code, within 30 days after the grant, to recognize ordinary income on the date of grant in an amount equal to the excess of the fair market value of the shares on that date over the amount, if any, paid for the restricted shares. By reason of such an election, the participant will have a tax basis in the restricted shares equal to the fair market value of the shares (determined without regard to the restriction imposed on the shares under the 2007 Plan) on the date of grant. If the shares are forfeited after an 83(b) election, the participant will not be entitled to a deduction, loss or credit for the ordinary income recognized or the taxes paid in respect of the election, but will generally be entitled to a capital loss for the amount, if any, paid for the restricted shares.

Stock Awards. A participant will recognize taxable income on the grant of unrestricted stock in an amount equal to the fair market value of the shares on the grant date. Subject to certain limitations, the Company will generally be entitled to a deduction at the same time and in the same amounts as the ordinary income recognized by the participant.

Stock Appreciation Rights (SARs). A participant generally will not recognize taxable income at the time stock-settled SARs are granted but will recognize ordinary income upon the exercise of a stock-settled SAR in an amount equal to the difference between the fair market value of shares received on exercise and the fair market value of shares on the date the SAR was granted. Subject to certain limitations, the Company will generally be entitled to a deduction at the same time and in the same amounts as the ordinary income recognized by the participant.

The Board of Directors recommends a vote FOR this proposal to approve the Amended and Restated Incentive Stock Plan of 2007.

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Item 4. Approval of Appointment of Independent Auditors

Under Bermuda law, shareholders have the authority to appoint the independent auditors of the Company and to authorize our Board of Directors to fix the auditors remuneration. At the Annual General Meeting, shareholders will be asked to appoint PricewaterhouseCoopers LLP (PwC) as our independent auditors for the fiscal year ending December 31, 2009, and to authorize the Board of Directors to fix the independent auditors remuneration. PwC has been acting as our independent auditors for many years and, both by virtue of its long familiarity with the Company s affairs and its ability, is considered best qualified to perform this important function.

Representatives of PwC are expected to be present at the Annual General Meeting and to be available to respond to appropriate questions. They will have an opportunity to make a statement if they so desire.

The Board of Directors recommends a vote FOR the proposal to appoint PwC as independent auditors of the Company and to authorize the Board of Directors to fix the auditors remuneration.

Audit Committee Report

While management has the primary responsibility for the financial statements and the reporting process, including the system of internal controls, the Audit Committee reviews the Company s audited financial statements and financial reporting process on behalf of the Board of Directors. The independent auditors are responsible for performing an independent audit of the Company s consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and to issue a report thereon. The Audit Committee monitors those processes. In this context, the Audit Committee has met and held discussions with management and the independent auditors regarding the fair and complete presentation of the Company s results. The Audit Committee has discussed significant accounting policies applied by the Company in its financial statements, as well as alternative treatments. Management has represented to the Audit Committee that the Company s consolidated financial statements were prepared in accordance with United States generally accepted accounting principles, and the Audit Committee has reviewed and discussed the consolidated financial statements with management and the independent auditors. The Audit Committee also discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (Communication With Audit Committees), as adopted by the Public Company Accounting Oversight Board (United States).

In addition, the Audit Committee has received and reviewed the written disclosures and the letter from PwC required by the Public Company Accounting Oversight Board regarding PwC s communications with the Audit Committee concerning independence and discussed with PwC the auditors independence from the Company and its management in connection with the matters stated therein. The Audit Committee also considered whether the independent auditors provision of non-audit services to the Company is compatible with the auditors independence. The Audit Committee has concluded that the independent auditors are independent from the Company and its management.

The Audit Committee discussed with the Company s internal and independent auditors the overall scope and plans for their respective audits. The Audit Committee meets separately with the internal and independent auditors, with and without management present, to discuss the results of their examinations, the evaluations of the Company s internal controls and the overall quality of the Company s financial reporting.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board has approved, that the audited financial statements be included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2008, for filing with the Securities and Exchange Commission (the SEC). The Audit Committee has selected PwC, subject to shareholder approval, as the Company s independent auditors for the fiscal year ending December 31, 2009.

AUDIT COMMITTEE

Richard J. Swift (Chair)

Ann C. Berzin

Peter C. Godsoe

Edward E. Hagenlocker

H. William Lichtenberger

Theodore E. Martin

Fees of the Independent Auditors

The following table shows the fees paid or accrued by the Company for audit and other services provided by PwC for the fiscal years ended December 31, 2008 and 2007:

	2008	**2007**
Audit Fees(a)	$ 16,671,000	$ 13,435,000
Audit-Related Fees(b)	100,000	1,695,000
Tax Fees(c)	3,890,000	2,215,000
All Other Fees(d)	301,000	4,000
Total	$ 20,962,000	$ 17,349,000

(a) Audit Fees for the fiscal years ended December 31, 2008 and 2007, respectively, were for professional services rendered for the audits of the annual consolidated financial statements of the Company and include quarterly reviews, statutory audits, issuance of consents, comfort letters and assistance with, and review of, documents filed with the SEC. Audit fees for December 31, 2008 and December 31, 2007, also include fees related to the audit of internal controls.

(b) Audit-Related Fees consist of assurance and related services that are reasonably related to performing the audit and review of our financial statements. Audit-Related Fees for the year ended December 31, 2008 include services related to audits of employee benefit plans and Audit-Related Fees for the year ended December 31, 2007 include services related to audits performed in connection with dispositions, audits of employee benefit plans and special reports pursuant to agreed-upon procedures.

(c) Tax Fees for the year ended December 31, 2008 include consulting and compliance services in the U.S. and non-U.S. locations. Tax Fees for the year ended December 31, 2007 include consulting services in the U.S. and non-U.S. locations and tax compliance services primarily in non-U.S. locations.

(d) All Other Fees for the years ended December 31, 2008 and 2007, respectively, include consulting services in the U.S. and non-U.S. locations and license fees for technical accounting software.

The Audit Committee has adopted policies and procedures which require that the Audit Committee pre-approve all non-audit services that may be provided to the Company by its independent auditors. The policy: (i) provides for pre-approval of an annual budget for each type of service; (ii) requires Audit Committee approval of specific projects over $100,000, even if included in the approved budget; and (iii) requires Audit Committee approval if the forecast of expenditures exceeds the approved budget on any type of service. The Audit Committee pre-approved all of the services described under Audit-Related Fees, Tax Fees and All Other Fees. The Audit Committee has determined that the provision of all such non-audit services is compatible with maintaining the independence of PwC.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth as of April 6, 2009, the beneficial ownership of our Class A common shares by (i) nominee for director of the Company, (ii) each current executive officer of the Company named in the Summary Compensation Table below, and (iii) all directors and current executive officers of the Company as a group:

Name	Class A Common Shares(a)	ESP Shares(b)	Options Exercisable Within 60 Days(c)
A.C. Berzin			
J.L. Cohon			
G.D. Forsee			
P.C. Godsoe			
E.E. Hagenlocker			
H.L. Henkel			
C.J. Horner			
H. W. Lichtenberger			
T.E. Martin			
O.R. Smith			
R.J. Swift			
T.L. White			
M.W. Lamach			
S. R. Shawley			
J. R. Bolch			
P. Nachtigal			
All directors and current executive officers as a group (XX persons)(d)			

(a) Unless otherwise indicated, all shares are held directly. No director or executive officer of the Company owns 1% or more of the outstanding Class A common shares.

(b) Represents Class A common shares held by the trustee under the Ingersoll-Rand Company Employee Savings Plan (ESP) (which now includes amounts previously held in the IR/Clark Leveraged Employee Stock Ownership Plan) and the Trane Savings Plan for the benefit of executive officers.

(c) Represents Class A common shares as to which directors and executive officers had options exercisable within 60 days of April 6, 2009, under the Company s Incentive Stock Plans.

(d) The Class A common shares beneficially owned by all directors and current executive officers as a group (including shares issuable under exercisable options) aggregated approximately % of the total outstanding Class A common shares. Class A common shares and common share equivalents notionally held under the IR Directors Deferred Compensation Plan (the Director Deferral Plan I) and the IR Directors Deferred Compensation and Stock Award Plan II (the Director Deferral Plan II and, together with the Director Deferral Plan I, referred to as the Director Deferral Plans) (both of which are referred to below under the heading Compensation of Directors), the IR Executive Deferred Compensation Plan (the EDCP Plan I) and the IR Executive Deferred Compensation Plan II (the EDCP Plan II and, together with the EDPC Plan I, the EDCP Plans), and the supplemental employee savings plan and common share equivalents resulting from dividends on deferred stock awards are not counted as outstanding shares in calculating these percentages because they are not beneficially owned;

the directors and executive officers have no voting or investment power with respect to these shares or share equivalents.

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The following table sets forth each shareholder which, as of April 6, 2009, is known by us to be the beneficial owner of more than 5% of the outstanding Class A common shares of the Company:

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Southeastern Asset Management, Inc. 6410 Poplar Ave., Suite 900 Memphis, TN 38119	35,478,348(a)	%

(a) Information regarding Southeastern Asset Management, Inc. and its stockholdings was obtained from a Schedule 13G (Amendment No. 1) filed with the SEC on February 6, 2009. The filing indicated that, as of December 31, 2008, Southeastern Asset Management, Inc. had (i) sole investment and voting power as to 23,447,457 of such shares, (ii) shared investment and voting power as to 5,887,000 of such shares and (iii) no investment and voting power as to 5,143,891 of such shares.

Equity Compensation Plan Information

The following table provides information as of December 31, 2008, with respect to the Company s Class A common shares that may be issued under equity compensation plans:

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights*	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in First Column*)
Equity compensation plans approved by security holders	38,729,756	$ 31.28	8,610,962
Equity compensation plans not approved by security holders			
Total	38,729,756	$ 31.28	8,610,962

* Includes shares that have been earned by plan participants who have elected to defer the distribution of such shares.

After its fiscal year end, the Company used shares available under its 2007 Incentive Stock Plan to issue annual and long-term incentive equity awards to its employees. options, restricted stock units, performance shares and performance stock units[1] were issued. The awards reduced the number of shares currently available under the 2007 Incentive Stock Plan. As of April 6, 2009, there were:

options outstanding with a weighted average price of $ and a weighted average remaining term of years, of which options will expire prior to the Annual General Meeting.

unvested restricted stock units.

unvested performance shares.

unearned (target) 2009-2010 performance stock units.

unearned (target) 2009-2011 performance stock units.

shares remain available for issuance under the 2007 Incentive Stock Plan.

[1] Amounts represent the target number of shares of Class A common shares which may be earned under the 2007 Incentive Stock Plan in accordance with the terms of the 2009-2010 Performance Stock Unit awards and 2009-2011 Performance Stock Unit awards. Performance stock units will be earned, if at all, following the end of the performance period, subject to the achievement of certain performance metrics. See Compensation Discussion and Analysis contained in this proxy statement for a description of our Performance Stock Unit Program.

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CORPORATE GOVERNANCE

Corporate Governance Guidelines

Our Corporate Governance Guidelines, together with the charters of the various Board committees, provide a framework for the corporate governance of the Company. The following is a summary of our Corporate Governance Guidelines. You can find a copy of our Corporate Governance Guidelines, which include our guidelines for determining the independence of directors, attached to this proxy statement as Appendix C. In addition, our Corporate Governance Guidelines, as well as the charters of each of our Board committees, are available on our website at *www.ingersollrand.com* under the heading Investor Relations Corporate Governance. Copies of these documents are also available, free of charge, in print to any shareholder who requests them.

Role of the Board of Directors

The Company s business is managed under the direction of the Board of Directors. The role of the Board is to oversee the management and governance of the Company and monitor senior management s performance.

Board Responsibilities

The Board s core responsibilities include:

- selecting, monitoring, evaluating and compensating senior management;
- assuring that management succession planning is ongoing;
- reviewing the Company s financial controls and reporting systems;
- reviewing the Company s ethical standards and compliance procedures; and
- evaluating the performance of the Board, Board committees and individual directors.

Director Compensation and Stock Ownership

It is the policy of the Board that directors fees be the sole compensation received from the Company by any non-employee director.

The Company has a share ownership requirement of 20,000 Class A common shares for all non-employee directors. Non-employee directors who have not met their share ownership requirement of 20,000 shares must receive at least 30% of their annual retainer in the form of Class A common shares. Non-employee directors who have met their share ownership requirement of 20,000 shares may receive their annual retainer in either cash or Class A common shares or a combination of both.

Board Size and Composition

The Board consists of a substantial majority of independent, non-employee directors. In addition, our Corporate Governance Guidelines require that all members of the committees of the Board must be independent directors. The Board has the following four standing committees: Audit Committee, Compensation Committee, Corporate Governance and Nominating Committee, and Finance Committee. The Board of Directors has determined that each member of each of these committees is independent as defined in the NYSE listing standards. Committee memberships and chairs are rotated periodically.

Board Advisors

The Board and its committees may, under their respective charters, retain their own advisors to carry out their responsibilities.

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Executive Sessions

The Company s independent directors meet privately in regularly scheduled executive sessions, without management present, to consider such matters as the independent directors deem appropriate. These executive sessions are required to be held no less than twice each year.

Lead Director

The Board appoints a Lead Director annually from among the independent directors who are not Board committee chairs. Our current Lead Director, whose term will expire at the end of the annual general meeting, is Tony L. White. Beginning after the annual general meeting, our Lead Director will be Ann Berzin. Our Lead Director: (a) presides at all meetings of the directors at which the Chairman is not present, including executive sessions of the directors; (b) serves as a liaison between the Chairman and the independent directors; (c) approves the information sent to the directors; (d) with input from the other independent directors, approves Board meeting agendas and Board meeting schedules to assure that there is sufficient time for discussion of all agenda items; (e) has the authority to call meetings of the independent directors; and (f) is available for direct communication from major shareholders.

Board Evaluation

The Corporate Governance and Nominating Committee assists the Board in evaluating its performance and the performance of the Board committees. Each committee also conducts an annual self-evaluation. The effectiveness of individual directors is considered each year when the directors stand for re-nomination.

Director Orientation and Education

The Company has developed an orientation program for new directors and provides continuing education for all directors. In addition, the directors are given full access to management and corporate staff as a means of providing additional information.

Director Nomination Process

The Corporate Governance and Nominating Committee reviews the composition of the full Board to identify the qualifications and areas of expertise needed to further enhance the composition of the Board, makes recommendations to the Board concerning the appropriate size and needs of the Board and, on its own or with the assistance of management or others, identifies candidates with those qualifications. In considering candidates, the Corporate Governance and Nominating Committee will take into account all factors it considers appropriate, including breadth of experience, understanding of business and financial issues, ability to exercise sound judgment, diversity, leadership, and achievements and experience in matters affecting business and industry. The Corporate Governance and Nominating Committee considers the entirety of each candidate s credentials and believes that at a minimum each nominee should satisfy the following criteria: highest character and integrity, experience and understanding of strategy and policy-setting, sufficient time to devote to Board matters, and no conflict of interest that would interfere with performance as a director. Shareholders may recommend candidates for consideration for Board membership by sending the recommendation to the Corporate Governance and Nominating Committee, in care of the Secretary of the Company. Candidates recommended by shareholders are evaluated in the same manner as director candidates identified by any other means.

Director Independence

The Board has determined that all of our directors, except H. L. Henkel and P. Nachtigal, who are employees of the Company, are independent under the standards set forth in Exhibit I to our Corporate Governance Guidelines, which are consistent with the NYSE listing standards. A copy of Exhibit I to our

Corporate Governance Guidelines is available at our website, *www.ingersollrand.com*, under the heading Investor Relations Corporate Governance. In making its determination, the Board examined relationships between directors or their affiliates with the Company and its affiliates and determined that each such relationship did not impair the director s independence. In particular, with respect to each of the most recent three completed fiscal years, the Board considered that the Company purchased products from Sprint Nextel Corporation, where Mr. Forsee served as Chairman of the Board and Chief Executive Officer until October 2007, in aggregate amounts substantially less than 1% of the revenues of each of the Company and Sprint Nextel Corporation in any such year. Consequently, the Board determined that this relationship did not affect Mr. Forsee s status as an independent director.

Shareholder Communications with Directors

Shareholders and other interested parties wishing to communicate with the Board, the non-employee directors or any individual director (including our Lead Director and Compensation Committee Chair) may do so either by sending a communication to the Board and/or a particular Board member, in care of the Secretary of the Company, or by e-mail at *irboard@irco.com*. Depending upon the nature of the communication and to whom it is directed, the Secretary will: (a) forward the communication to the appropriate director or directors; (b) forward the communication to the relevant department within the Company; or (c) attempt to handle the matter directly (for example, a communication dealing with a share ownership matter).

Code of Conduct

The Company has adopted a worldwide Code of Conduct, applicable to all employees, directors and officers, including our Chief Executive Officer, our Chief Financial Officer and our Controller. The Code of Conduct meets the requirements of a code of ethics as defined by Item 406 of Regulation S-K as well as the requirements of a code of business conduct and ethics under the NYSE listing standards. The Code of Conduct covers topics including, but not limited to, conflicts of interest, confidentiality of information, and compliance with laws and regulations. A copy of the Code of Conduct is available at our website located at *www.ingersollrand.com* under the heading Investor Relations Corporate Governance and a copy is also available, free of charge, in print to any shareholder who requests it. Amendments to, or waivers of the provisions of, the Code of Conduct, if any, made with respect to any of our directors and executive officers will be posted on our website.

Committees of the Board

Audit Committee

Members: Richard J. Swift (Chair)
Ann C. Berzin
Peter C. Godsoe
Edward E. Hagenlocker
H. William Lichtenberger
Theodore E. Martin

Key Functions:

Review annual audited and quarterly financial statements, as well as the Company s disclosures under Management s Discussion and Analysis of Financial Conditions and Results of Operations, with management and the independent auditors.

Obtain and review periodic reports, at least annually, from management assessing the effectiveness of the Company s internal controls and procedures for financial reporting.

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Review the Company s processes to assure compliance with all applicable laws, regulations and corporate policy.

Recommend the public accounting firm to be proposed for appointment by the shareholders as our independent auditors and review the performance of the independent auditors.

Review the scope of the audit and the findings and approve the fees of the independent auditors.

Approve in advance permitted audit and non-audit services to be performed by the independent auditors.

Satisfy itself as to the independence of the independent auditors and ensure receipt of their annual independence statement.

The Board of Directors has determined that each member of the Audit Committee is independent for purposes of the applicable rules and regulations of the SEC and as defined in the NYSE listing standards and has determined that each member of the Audit Committee meets the qualifications of an audit committee financial expert, as that term is defined by rules of the SEC.

A copy of the charter of the Audit Committee is available at our website, *www.ingersollrand.com*, under the heading Investor Relations Corporate Governance.

Compensation Committee

Members: Orin R. Smith (Chair)
Jared L. Cohon
Gary D. Forsee
Constance J. Horner
Tony L. White

Key Functions:

Establish executive compensation policies.

Review and approve the goals and objectives relevant to the compensation of the Chief Executive Officer, evaluate the Chief Executive Officer s performance against those goals and objectives and set the Chief Executive Officer s compensation level based on this evaluation.

Approve compensation of officers and key employees.

Administer the Company s equity compensation plans.

Review and recommend changes in principal employee benefit programs.

For a discussion concerning the processes and procedures for determining executive and director compensation and the role of executive officers and compensation consultants in determining or recommending the amount or form of compensation, see Compensation Discussion and

Analysis and Compensation of Directors , respectively.

The Board of Directors has determined that each member of the Compensation Committee is independent for purposes of the applicable rules and regulations of the SEC and as defined in the NYSE listing standards. In addition, the Board has determined that each member of the Compensation Committee qualifies as a Non-Employee Director within the meaning of Rule 16b-3 of the Securities Exchange Act of 1934 and an outside director within the meaning of Section 162(m) of the Code.

A copy of the charter of the Compensation Committee is available at our website, *www.ingersollrand.com*, under the heading Investor Relations Corporate Governance.

Corporate Governance and Nominating Committee

Members: Gary D. Forsee (Chair)
Jared L. Cohon
Constance J. Horner
Orin R. Smith
Tony L. White

Key Functions:

- Identify individuals qualified to become directors and recommend the candidates for all directorships.
- Recommend individuals for election as officers.
- Review the Company s Corporate Governance Guidelines and make recommendations for changes.
- Consider questions of independence and possible conflicts of interest of directors and executive officers.
- Take a leadership role in shaping the corporate governance of the Company.

The Board of Directors has determined that each member of the Corporate Governance and Nominating Committee is independent for purposes of the applicable rules and regulations of the SEC and as defined in the NYSE listing standards.

A copy of the charter of the Corporate Governance and Nominating Committee is available at our website, *www.ingersollrand.com*, under the heading Investor Relations Corporate Governance.

Finance Committee

Members: H. William Lichtenberger (Chair)
Ann C. Berzin
Peter C. Godsoe
Edward E. Hagenlocker
Theodore E. Martin
Richard J. Swift

Key Functions:

- Review proposed borrowings and issuances of securities.
- Recommend to the Board the dividends to be paid on our common shares.

Review cash management policies.

Review periodic reports of the investment performance of the Company s employee benefit plans.

The Board of Directors has determined that each member of the Finance Committee is independent for purposes of the applicable rules and regulations of the SEC and as defined in the NYSE listing standards.

A copy of the charter of the Finance Committee is available at our website, *www.ingersollrand.com*, under the heading Investor Relations Corporate Governance.

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Board, Committee and Annual Meeting Attendance

The Board and its committees held the following number of meetings during the fiscal year ended December 31, 2008:

Board	6
Audit Committee	11
Compensation Committee	9
Corporate Governance and Nominating Committee	7
Finance Committee	7

Each incumbent director attended 85% or more of the total number of meetings of the Board and the committees on which he or she served during the year. The Company s non-employee directors held four independent director meetings without management present during the fiscal year 2008.

The Company expects all Board members to attend the annual general meeting, but from time to time other commitments prevent all directors from attending the meeting. All of the directors attended the most recent annual general meeting of shareholders, which was held on June 4, 2008.

Compensation of Directors

Director Compensation

For fiscal year 2008, non-employee directors received an annual cash retainer of $80,000. When board or committee meetings exceeded the regularly scheduled meetings (6 meetings for the Board and each Committee other than Audit, and 8 meetings for the Audit Committee) or when unscheduled planning sessions were held at the request of management, each non-employee director received an additional $2,500 for attending such meeting or session. The chair of the Audit Committee received a $30,000 annual cash retainer and the chairs of the Compensation Committee, Corporate Governance and Nominating Committee and Finance Committee each received a $10,000 annual cash retainer. Each director who served as Lead Director received, on a pro-rated basis, a $15,000 annual cash retainer and each Audit Committee member (other than the Audit Committee chair) received a $5,000 annual cash retainer. In addition, each non-employee director was credited with common share equivalents representing $95,000 in fair market value of Class A common shares for the 2008 fiscal year. The common share equivalents were credited to an account maintained for each non-employee director (a Deferred Compensation Account) in our Director Deferral Plan II (as described below).

Beginning in fiscal year 2009, non-employee directors will no longer defer compensation to the Director Deferral Plans. As such, non-employee directors who have met their share ownership requirement of 20,000 shares will receive an annual retainer of $175,000 (to be paid in either cash or Class A common shares, or a combination of both, at the option of each non-employee director). Non-employee directors who have not met their share ownership requirement of 20,000 shares will receive at least $52,500 of the $175,000 annual retainer in the form of Class A common shares and will have the option to elect to receive a higher percentage of their annual retainer in the form of Class A common shares. Director compensation relating to Committee service will remain unchanged from fiscal year 2008.

Director Deferred Compensation

The Director Deferral Plans are unfunded, non-qualified plans that enable non-employee directors to defer receipt of all or a part of their cash retainer and other fees. In light of the American Jobs Creation Act of 2004, a mirror plan for the Director Deferral Plan I was created (referred to in this proxy statement as the Director Deferral Plan II). The purpose of this mirror plan is not to provide additional benefits to directors, but merely to preserve the tax treatment of the original Director Deferral Plan I, which is a plan that was in place prior to

December 31, 2004. Each director is fully vested in amounts credited to the director s Deferred Compensation Account. Prior to August 1, 2007, all 2007 fiscal year distributions under the Director Deferral Plans were made in cash based on the value of the account at the time of distribution. Effective August 1, 2007, all distributions of credited amounts deemed to be invested in Class A common shares will now be settled in Class A common shares at the time of distribution rather than in cash. All distributions of credited amounts deemed to be invested in other investment options will continue to be settled in cash.

In December 2008, the Board determined that it would cease deferrals of compensation into its Director Deferral Plans, effective as of December 31, 2008.

2008 Director Compensation

The compensation paid or credited to our non-employee directors for the year ended December 31, 2008, is summarized in the table below:

Name	Fees earned or paid in cash ($)(a)	All Other Compensation ($)(b)	Total ($)
A.C. Berzin	100,000	95,000	195,000
J. L. Cohon(c)	51,667	55,416	107,083
G.D. Forsee	92,500	95,000	187,500
P.C. Godsoe	92,500	95,000	187,500
E. E. Hagenlocker(c)	54,167	55,416	109,583
C.J. Horner	100,000	95,000	195,000
H.W. Lichtenberger	107,500	95,000	202,500
T.E. Martin	102,500	95,000	197,500
O.R. Smith	107,500	95,000	202,500
R.J. Swift	125,000	95,000	220,000
T.L. White	97,500	95,000	192,500

(a) The amounts in this column represent the $80,000 annual cash retainer, the Committee Chair retainers, the Audit Committee Member Retainer, the Board, Committee and other meeting or session fees, and the Lead Director fees as summarized in the table below:

	Cash Retainer ($)	Chair Retainer ($)	Audit Committee Member Retainer ($)	Board, Committee and Other Meeting or Session Fees($)	Lead Director Fees($)
A.C. Berzin	80,000		5,000	15,000	
J. L. Cohon	46,667			5,000	
G.D. Forsee	80,000	5,000		7,500	
P.C. Godsoe	80,000		5,000	7,500	
E. E. Hagenlocker	46,667		2,500	5,000	
C.J. Horner	80,000	5,000		15,000	
H.W. Lichtenberger	80,000	10,000	5,000	12,500	
T.E. Martin	80,000		5,000	10,000	7,500
O.R. Smith	80,000	10,000		17,500	
R.J. Swift	80,000	30,000		15,000	
T.L. White	80,000			10,000	7,500

(b) The amounts in this column represent the $95,000 retainer provided to each non-employee director in the form of Class A common shares for fiscal year 2008.

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(c) The compensation reflected for Dr. Cohon and Mr. Hagenlocker commenced in June 2008 when they became directors.

For each non-employee director at December 31, 2008, the following table reflects unexercised stock options, all of which are vested:

	Stock Options(#)
A. C. Berzin	9,000
J. L. Cohon	96,192
G. D. Forsee	0
P. C. Godsoe	22,500
E. E. Hagenlocker	40,608
C. J. Horner	0
H. W. Lichtenberger	22,500
T. E. Martin	22,500
O. R. Smith	22,500
R. J. Swift	9,000
T. L. White	22,500

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COMPENSATION DISCUSSION AND ANALYSIS AND EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The role of the Compensation Committee, which is composed solely of independent directors, is to oversee the Company s compensation plans and policies, administer its equity-based plans (including the review and approval of stock option grants and other forms of equity compensation to executive officers) and review and approve all compensation relating to executive officers, including the six named executive officers named in the Summary Compensation Table (the NEOs). Decisions regarding the compensation elements and amounts for the CEO are decided exclusively by the Compensation Committee, and the CEO is not privy to this information until decisions have been made. Decisions regarding compensation for the other executive officers are decided by the Compensation Committee based on recommendations made by management and the CEO. In addition, the Compensation Committee is responsible for reviewing employee benefit plans and making recommendations to the Board of Directors for significant amendments or termination of the Company s executive incentive compensation plans and equity-based plans as well as its principal pension and welfare plans. The full details of the Compensation Committee s duties are described in the Charter of the Compensation Committee, which is available on our website at *www.ingersollrand.com*.

The Compensation Committee has the authority to retain an independent compensation consultant and has on occasion used Frederic W. Cook & Co., Inc., which the Company does not otherwise use for any other purpose.

Since the beginning of fiscal year 2008, the Compensation Committee has addressed a number of additional items, including:

- The continuing review and refinement of the Company s executive compensation philosophy to reflect its transformation following the acquisition of Trane Inc. in June 2008;
- The reconfiguration of the peer group of companies against which the Company s executive compensation plan is benchmarked;
- The review and refinement of the fiscal 2009 equity award program to help manage the usage of shares, and to better align executive officer compensation with the Company s five design principles described below; and
- The recommendation to the Board of Directors to review and approve a shareholders advisory vote on executive compensation (i.e., say on pay), in which shareholders can cast an annual, nonbinding vote regarding the company s compensation philosophy and programs.

Compensation Philosophy Beliefs and Principles

The purpose of the Company s executive compensation programs is to enable it to attract, retain, deploy and focus the talents and energies of employees who are capable of meeting the current and future goals of the Company, most notably, the creation of shareholder value.

Five design principles govern the executive compensation programs:

1. General program competitiveness:

Total compensation opportunities within the Company must serve to attract and retain top performers. All of the Company s executive compensation programs are based on market data to ensure their competitiveness. We establish our program target award levels at or near the median (50th percentile) of the markets in which we operate.

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2. Pay for performance:

A large percentage of an executive s total compensation opportunity is contingent on, and variable with, performance. Performance is measured on: 1) actual business unit and Company financial performance against pre-established business plans (beginning in performance year 2009, part of the compensation opportunity is also based on the Company s Earnings per Share (EPS) growth relative to the S&P 500 Industrial Index) and 2) the executive s demonstrated ability to achieve Company objectives, develop and carry out strategic initiatives, contribute to both the growth and operational excellence of the Company, and demonstrate collaboration in the pursuit of a one-company culture. Total compensation can exceed the market median if performance exceeds the target. Conversely, if performance falls short of the target, total compensation can fall below the currently prevailing market median.

3. Internal parity:

An employee s total compensation opportunity is proportionate with work contribution, which is a function of each individual s role. Thus, jobs of similar value are assigned similar compensation opportunity, based on job grading and evaluation.

4. Alignment with various business strategies:

The executive compensation programs are structured to be flexible in recognizing that individuals within business units must focus on specific financial measures to meet the short and long term plans of the business unit for which they are accountable. This principle, in conjunction with the Company-wide philosophy of general competitiveness, pay for performance and internal parity, determines the award opportunity for business unit leaders. Thus, it is not only possible but also desirable for certain sector or business unit leaders to earn substantial awards in years when their units outperform the Company as a whole. Conversely, if a sector or business unit fails to meet its annual plan, that sector or business unit s leader may earn a lesser award in that year than his or her peers in a business unit or sector that met or exceeded its goals.

5. Shareholder alignment:

The value of the variable compensation components, i.e., annual cash incentive payments plus equity-based awards, which make up a substantial portion of the executive s compensation, is directly linked to the financial performance of the Company and to the value of the Company s Class A common shares. Thus, the variable pay programs provide a strong incentive to create shareholder value, and establish clear alignment of the interests of our shareholders and of the executives.

Executive Compensation Programs

Program Structure and Compensation Committee Judgment

The Company has designed the executive compensation programs in particular to reward improvement in sales, earnings and other financial measures, as well as operational excellence and sustained individual performance. Because we operate in an ever-changing environment that is affected by economic, technological, regulatory and competitive factors beyond our control, the Compensation Committee may consider such factors in its process of setting specific performance targets for annual incentive awards and in actually determining such awards.

The Company makes decisions relating to program design and pay adjustments in the context of the guiding principles and overall compensation objectives described above as well as market practices. To accomplish these objectives, we must have compensation and benefits programs that provide competitive total rewards relative to the labor markets for our executives while controlling costs for the benefit of our shareholders. We intend total compensation opportunities to be targeted at or near the median of the markets in which we operate. The position

of each particular executive in the targeted range may fluctuate in any given year based on salary increases, annual incentives and equity-based plan grants, all of which are driven by attainment of individual, business unit and corporate financial measures which are described below. In addition, the targeted range itself will vary from year to year depending upon changes in compensation for the peer group of companies and employment market competitiveness in general. Therefore, while the Compensation Committee believes that it is important to base compensation decisions on the most recent data available, it retains the discretion to go above or below the targeted award ranges for any individual or for any specific element of compensation. Although the compensation programs provide the Compensation Committee with formulaic guidelines and a framework within which to set a particular executive s compensation, ultimately, the Compensation Committee uses their collective judgment when determining precisely how much to pay that executive. Consequently, the actual amounts of compensation that we pay to our executives may be more or less than the targeted compensation opportunity in any given year.

Tax and Accounting Considerations

The Company generally intends the variable compensation paid to the NEOs to qualify as performance-based within the meaning of Section 162(m) of the Internal Revenue Code so as to be tax deductible by the Company, which benefits our shareholders. In order to qualify as performance based, the compensation must, among other things, be paid pursuant to a shareholder approved plan upon the attainment of objective performance criteria. The Compensation Committee believes that tax deductibility of compensation is an important factor, but not the sole factor, in setting executive compensation policy and in rewarding superior executive performance. Accordingly, although the Compensation Committee generally intends to avoid the loss of a tax deduction due to Section 162(m), it reserves the right to pay amounts that are not deductible in appropriate circumstances. In determining variable compensation programs, the Company considers other tax and accounting implications of particular forms of compensation such as the implications of Section 409A of the Code governing deferred compensation arrangements and favorable accounting treatment afforded certain equity based plans that are settled in shares; however, the forms of variable compensation utilized are determined primarily by their effectiveness in providing maximum alignment with key strategic objectives and the interests of our shareholders.

Timing of Awards

All equity and non-equity awards are granted at the first meeting of the Compensation Committee each year, which is usually held the first Wednesday of February. The timing of this meeting allows management to review the prior year performance and assemble all of the necessary information for the Compensation Committee s consideration. This meeting date usually follows the release of prior year earnings results. The date is not selected or changed to increase the value of stock option awards for executives. In 2009, since the Company s annual earnings release was on February 11, 2009, the Compensation Committee held a telephonic meeting on February 12, 2009 to approve the annual grant of equity awards, including stock options, which were granted and priced on February 12, 2009. This delay was intended to enable the market to assimilate the information contained in the earnings release of February 11, 2009, which is one day before the exercise price of the stock options was established.

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Peer Group Comparison

The Compensation Committee periodically reviews and evaluates the executive officer compensation practices against the practices and pay levels of other similar companies with which we compete for executive talent. These comparisons are conducted throughout the year through a variety of methods such as: direct analysis of the proxy statements of other diversified industrial companies (see peer group below) ranging in size from approximately $11 billion to $58 billion in revenues, a review of compilations of survey data of companies of similar size in a range of industries published by several independent consulting firms, and a review of customized compensation surveys performed by independent consulting firms. No single source of information controls the decision on compensation. The Peer Group has been revised to reflect the new company makeup resulting from the two major divestitures in 2007 as well as the acquisition of Trane in June 2008. Some of the companies included in these compensation surveys are the same as those comprising the Standard & Poor s 500 Industrial Index referred to in the Company s Annual Report on Form 10-K under the caption Performance Graph.

Diversified Industrial Peer Group Members
3M
Cummins, Inc.
Danaher Corp/DE
Dupont
Eaton Corp
Emerson Electric
Honeywell International
Illinois Tool Works Inc.
ITT Industries Inc.
Johnson Controls Inc.
Paccar Inc.
Parker Hannifin Corp
PPG Industries
Raytheon
Textron
Tyco International
United Technologies

The Compensation Committee anticipates that the peer group will change if the Company s size or lines of business change, or if the peer companies show changes in their businesses or operations. Any change to the compensation peer group is subject to Compensation Committee approval.

Total Direct Compensation

An executive s total direct compensation opportunity is comprised of four key programs: base salary, the annual incentive matrix (AIM) program, the performance share program (the PSP) and the stock option/restricted stock unit/ program.

Base Salaries

We determine base salaries for the Company s executive officers, including the NEOs, by evaluating the responsibilities of the executive officers and their competence to perform their role and by reference to the competitive marketplace for executive talent, as described above.

The Annual Incentive Matrix (AIM) Program

The AIM program is an annual cash incentive program that provides rewards for the achievement of pre-established annual performance objectives, which are based on the annual operating plan of the Company s business units, sectors, and enterprise as a whole. An annual target award level, expressed as a percentage of base salary, is established for each participant. The target award level is based on the relative importance of each participant s role within the Company as well as the compensation levels of similar jobs in other comparable

companies. The program provides annual cash awards that are contingent on, and variable with, specific performance measures, associated with individual, business unit and enterprise performance. Awards can range from zero to 150% of target. As previously disclosed by the Company, the Compensation Committee in August 2008 approved a change to the AIM program under which the maximum cash incentive award was increased from 150% of the target amount to 200% of the target amount for all participants in the program, consistent with the prevailing market practices of the peer group. In addition, the financial measure weighting will change to 50% Earnings per Share (EPS) and 50% Available Cash Flow (ACF). Both these changes are applicable to AIM awards to be paid in February 2010, for performance year 2009.

2008 Performance Targets

For fiscal year 2008, the pre-established performance targets compared to the actual reported performance results are as follows:

	Pre-Established Performance Targets	Actual Reported Performance Results
Earnings Per Share (EPS)	$ 3.90	$ 3.34
Available Cash Flow (ACF)	$ 1.1B	$ 654M
Return on Equity (ROE)	9%	9.9%

The CEO s 2008 AIM Award

The CEO s AIM opportunity for the fiscal year 2008 was based on a target award level of 175% of base salary, which for the 2008 performance period (paid in February 2009) was $2,231,250 (175% of base salary of $1,275,000). Actual awards under the program for the 2008 performance year could vary according to performance from zero to 150% of the target, in this case, up to $3,346,875. Performance is measured against pre-established objectives for three financial measures and are weighted as follows:

Earnings Per Share (EPS) vs. Plan	60%
Available Cash Flow (ACF) vs. Plan	20%
Return on Equity vs. Plan	20%

The Compensation Committee reviews the annual performance against the financial measures as described above, and then applies the Compensation Committee s collective judgment regarding the CEO s overall performance. The calculation is as follows:

For the fiscal year 2008 performance period, to a great extent influenced by the difficult economic climate facing all global companies, the actual results for EPS and ACF were below the Company s 2008 annual operating plan; however, ROE performance exceeded the annual operation plan. Based on these financial results, the Compensation Committee awarded the CEO an AIM award of $1,425,000 which was approximately 36% below the target award level established for 2008, and 53% below the actual award earned for 2007 performance.

The AIM Award for Other Named Executive Officers (NEOs)

The other NEOs fall into the categories of: sector presidents or functional staff leaders (such as the Chief Financial Officer and the General Counsel).

Sector presidents receive AIM awards that are based on a target award level expressed as a percentage of salary, and are a function of their individual performance, the financial performance of their sector (measured by sales, operating income (OI), available cash flow (ACF), return on invested capital (ROIC)), and the financial performance of the enterprise as a whole. The calculation is as follows:

The relative weight assigned to each performance category varies by sector depending on the particular business strategy and circumstances for each unit. For sector participants the emphasis is on individual and sector performance, but with some exposure to the performance of the enterprise as a whole, that is, 10%. If the financial performance category is at or below 75% of plan (Enterprise and/or Sector), the program produces a zero award for that category, and that in turn results in a zero award for that category, which can significantly impact the AIM award.

Similarly, functional staff leaders receive AIM awards that are based on a target award level, expressed as a percentage of base salary, and are a function of their individual performance and the financial performance of the enterprise. The calculation is as follows:

For functional staff leaders, the emphasis is on individual performance and enterprise performance measured in terms of EPS, ACF and ROE. As with the sector presidents, if the financial performance category is at or below 75% of plan, the program produces a zero award for that category, and that in turn results in a zero award for that category, which can significantly impact the AIM award.

The resulting AIM award calculations for all the NEOs are as follows:

Name	Title	AIM Target Award Level ($)	Actual Award ($)	Actual Award as a % of Target (%)
H. L. Henkel	Chairman, Chief Executive Officer, and President	2,231,250	1,425,000	64.0%
S. R. Shawley	Senior Vice President and Chief Financial Officer	472,500	290,559	61.5%
M. W. Lamach	President, Chief Operating Officer and Sector President(a)	517,500	390,920	75.5%
P. Nachtigal	Senior Vice President and General Counsel	393,750	227,981	57.9%
J. R. Bolch	Senior Vice President	450,000	184,590	41.0%
J. V. Gelly	Former Chief Financial Officer	495,000	143,303	29.0%

(a) In February 2009 Mr. Lamach was elected President and Chief Operating Officer and continues to serve as Senior Vice President and President, Trane Commercial.

Senior Executive Performance Plan

The Senior Executive Performance Plan (the SEPP) is a shareholder approved plan that funds the annual cash incentive awards (AIM) that may be granted to each of the NEOs. The pool is established based on the profit after tax in excess of 6% Return on Equity (ROE). Thus, if the Company fails to generate profits in excess of 6% ROE, no pool is created to fund the AIM awards for the NEOs. In such case, any cash incentive awards to the NEOs are at the discretion of the Compensation Committee and would not be considered to be made under the SEPP. Since the inception of this shareholder approved plan over a decade ago, the Company has always generated more than sufficient profit to fund the plan, that is, well in excess of the 6% ROE threshold. The pool established by the formula described above represents the maximum amount that the Compensation Committee can approve as performance-based cash compensation for its NEOs in accordance with Section 162(m) of the Code. The Compensation Committee generally exercises its discretion to pay less than the maximum amount to the NEOs after considering the factors described in the AIM Program section above.

Performance Share Program (PSP)

The PSP program provides awards for the achievement of both pre-established annual financial performance (EPS) and strategic initiatives of the Company. Annual target award levels, expressed as a number of Class A common share equivalents, are established for each participant. The maximum payout opportunity is 200% of the annual target award level. The PSP awards for the 2008 performance year have a one year vesting period and the awards, once vested, are made in the form of Class A common shares.

As the Company previously disclosed, on October 4, 2008, the Compensation Committee approved certain changes to the Company s long-term incentive compensation programs to be implemented beginning with the 2009 performance year. Under the revised incentive compensation programs, the current one year performance period under the Company s PSP Program will be changed to three year performance periods starting with the year 2009 in order to increase the long-term nature of incentive compensation for PSP participants. In addition, PSP awards will be made based on the Company s relative EPS growth as compared to the peer group companies in the S&P 500 Industrial Index over the three year performance period. To transition between the current one year PSP program and the revised three year PSP program, there will be a one-time PSP award with a two year

performance period for 2009 through 2010 which will be based on the Company s EPS growth relative to the S&P 500 Industrial Index peer group and the publicly announced Trane acquisition synergy savings. In addition, the Compensation Committee determined the 2008 PSP awards by placing primary emphasis on financial objectives in light of the current economic environment. The Compensation Committee retains the authority and discretion to make downward adjustments to the calculated PSP award amounts, either as a percentage or a dollar amount, or not to grant any award regardless of actual performance against goals.

For fiscal year 2008, the calculation of the CEO s PSP payment is as follows:

The 2008 PSP calculation for the other NEOs is as follows:

The resulting PSP award calculation for all of the NEOs is as follows:

	PSP Target Award Level	EPS Factor	Committee Judgment	Resulting Award
H. L. Henkel	100,000 shares	55.2%	No Adjustment	55,200 shares
S. R. Shawley	14,000 shares	55.2%	No Adjustment	7,728 shares
M. W. Lamach	12,000 shares	55.2%	No Adjustment	6,624 shares
P. Nachtigal	12,000 shares	55.2%	No Adjustment	6,624 shares
J. R. Bolch	12,000 shares	55.2%	No Adjustment	6,624 shares
J. V. Gelly(a)	14,000 shares	55.2%	No Adjustment	3,294 shares

(a) Mr. Gelly left the Company on June 4, 2008 and therefore received a pro-rated award (pro-rated at 42.6%).

As depicted above, as a result of 2008 performance being below plan, the program produced awards below their target opportunity for all current NEOS, including the CEO.

For fiscal year 2008, the pre-established performance target for EPS was $3.90, while the fiscal year 2008 EPS actual performance used to calculate the PSP award was $3.34, that is, 85.6% of the enterprise business plan.

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Stock Options/Restricted Stock Units

The Company s 2008 stock option program supports the Company s belief in the principle of pay for performance. The Company s stock option program had both a short-term and a long-term dimension. It was short term in that it is an annual plan with award size based on annual performance. It was long term in that the stock options vest one-third a year over the three years following the grant. In addition, the value created through the rising market value of our Class A common shares over the ten-year term of the options is a reflection of the effectiveness of our sustained long-term efforts. Stock options under the Company s Incentive Stock Plans are granted annually at an exercise price equal to the fair market value of Class A common shares on the date of grant and can never be issued at less than fair market value.

On February 12, 2009, the Compensation Committee approved a change to the Company s equity grant approach whereby options would no longer be used as the primary equity vehicle for eligible participants (other than the CEO[(1)]), but instead a mix of options and restricted stock units (RSUs) would be utilized. The RSUs will vest ratably over 3 years and any accrued dividends will be paid in cash at the time of vesting. As a result of this change, eligible participants may receive (i) stock options, (ii) RSUs or (iii) a combination of both stock options and RSUs under the Company s Incentive Stock Plan of 2007. Those participants receiving combination grants will receive a split with 50% of the intended grant value in stock options and the balance translated into RSUs using a 1:5 conversion ratio (one RSU for every five stock options), resulting in approximately a 15% decrease in the total value of the combination grant.

The Compensation Committee believes that this revised approach conserves share usage under the Company s Incentive Stock Plan and better balances risk and reward to equity plan participants. The Compensation Committee plans to review the Company s equity grant policies on a regular basis to ensure the best approach for the Company and its shareholders.

The Compensation Committee also approved on October 4, 2008 the elimination of the use of the EPS factor to determine the number of stock option/RSUs that may be awarded. Stock option/RSU grants made in 2009 and thereafter will be forward-looking (based on the established market value for the job along with the individual s sustained performance measured against leadership competency-based objectives), and therefore the use of a prior year s financial metric is no longer used.

2008 Stock Option Award for the CEO

For the other NEOs, the same methodology is used to calculate the stock option/RSU award with the only difference being that the individual performance score is based on each participant s leadership competency-based objectives.

(1) To ensure that the CEO s variable compensation is 100% performance based, his award remains solely in the form of stock options. The CEO s stock option grant, awarded in February 2009, was 15% below his target award.

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Calculation of Award for other NEOs:

The resulting Stock Option/RSU Awards for all of the NEOs are as follows:

	2008 Stock Option Target	Actual Stock Option Award	Actual RSU Award	Actual Total Award as a % of Target (%)
H. L. Henkel	500,000	425,000	N/A	85%
S. R. Shawley	131,250	65,625	13,125	84%
M. W. Lamach	132,250	66,125	13,225	84%
P. Nachtigal	96,840	48,420	9,684	84%
J. R. Bolch	100,000	50,000	10,000	84%
J. V. Gelly(a)	N/A	N/A	N/A	N/A

(a) Since Mr. Gelly left the Company on June 4, 2008, he was not eligible for an option award.

The Mix of Total Direct Compensation

The chart below shows the relative proportion of each program by executive category (based on target award levels):

	# In Category	Base Salary Program	Annual Incentive Program	Stock Option/RSU Program	Performance Share Program	Total Variable Pay Opportunity at Target	Total Direct Compensation at Target
Chairman, President, CEO	1	17%	29%	32%	22%	83%	100%
Other Current Named Executive Officers	5	31%	27%	30%	12%	69%	100%
Other Current Officers & Senior Leaders	36	42%	27%	24%	7%	58%	100%
Total Group	42	21%	29%	31%	19%	79%	100%

Analysis Regarding Mix:

Total variable pay opportunity is comprised of the AIM program, stock option/RSU program and PSP program, and, together with the base salary, comprises the total direct compensation.

79% (total variable pay opportunity) of executive compensation opportunity was contingent on, and variable with, performance against pre-established business plans, while 50% (stock option/RSU and PSP programs) was contingent on, and variable with, stock price performance.

Employees with higher levels of responsibilities had a greater portion of their pay opportunity at risk, that is, dependent on individual, business unit, sector and Company performance.

83% of the CEO s total direct compensation opportunity is contingent on performance; 69% of total direct compensation for the other current NEOs is contingent on performance.

As the chart clearly reflects, the Company has deliberately chosen to put less emphasis on base salary and more emphasis on variable pay in structuring the executives compensation packages. Although we do not use mathematical weightings when determining the mix of the various compensation components, we lean heavily toward variable pay to more closely align the pay of our executives with the creation of value for our shareholders. The value of the variable pay components (AIM, PSP and stock option/RSU) is directly tied to Company performance, and therefore the bulk of executives annual total direct compensation opportunity hinges on the successful performance of the Company. This is consistent with compensation practices of peer companies as well as general industry survey data for companies of our size, and reflects our pay for performance principle.

Executive Deferred Compensation Plans (EDCP Plans)

The Executive Deferred Compensation Plan (the EDCP Plan I) and the Executive Deferred Compensation Plan II (the EDCP Plan II and, together with the EDCP Plan I, the EDCP Plans) enable and encourage eligible employees to defer receipt of a part of their annual salary, AIM award and/or PSP award in exchange for investments in Class A common shares or mutual fund investment equivalents. Refer to the Nonqualified Deferred Compensation table for a more detailed description of the EDCP Plans.

Share-Ownership Guidelines

A formal share-ownership program has been established by the Company, which requires that its senior-most executives achieve and maintain ownership of Class A common shares or Class A common share equivalents at or above a prescribed level. The requirements are as follows:

	Number of Participants as of 12/31/08	Individual Ownership Requirement (Shares and Equivalents)
Chief Executive Officer	1	150,000 shares
Executive Vice Presidents & Chief Operating Officer	0	75,000 shares
Senior Vice Presidents	9	40,000 shares
Corporate Vice Presidents	10	15,000 shares
Other Participants	22	6,000 shares

The share-ownership program requires the accumulation of shares (or Class A common share equivalents) over a five-year period starting in February 2004 (or the date the person becomes subject to share-ownership requirements, if later) at the rate of 20% of the required level each year. Ownership credit is given for actual Class A common shares owned, deferred compensation that is invested in Class A common shares within the EDCP Plans, Class A common share equivalents accumulated in the qualified and non-qualified employee savings plans and RSUs and share equivalents awarded under the PSP Program. Neither stock options nor stock appreciation rights count towards meeting the share-ownership target. If executives fall behind their scheduled accumulation level over the five years, or they fail to maintain their required level of ownership after the five-year accumulation period, their right to exercise stock options will be limited to buy and hold transactions until the required ownership level is achieved. As of March 31, 2009, all of the officers subject to the share-ownership guidelines were in compliance with these requirements.

Executive Perquisites

The Company s philosophy is to provide perquisites at levels consistent with prevailing market practice. Company-leased cars are provided for business and personal use, with the estimated value associated with

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personal use taxable to the executives. Also provided are medical examinations and appropriate, physician-recommended medical tests under the Executive Health Program. Financial counseling and tax-preparation services, a portion of which is imputed to the executive s income, are also provided. In addition, for security and safety reasons and to maximize his availability for Company business, the Board of Directors requires the CEO to travel exclusively on Company-provided aircraft for both business and personal purposes. The value associated with this personal travel is imputed to the CEO s income in accordance with IRS regulations. Since the Company s policy mandates that the CEO utilize Company-provided aircraft, the Company pays a gross-up to reimburse federal, FICA and state taxes resulting from this imputation. The incremental cost to the Company for perquisites is reported in All Other Compensation shown in the Summary Compensation Table. In addition, if any NEO participates in the Company s general relocation program, the benefits received as part of that relocation are also considered perquisites by the SEC and are reported as All Other Compensation in the Summary Compensation Table. These relocation benefits include a gross-up payment to reimburse applicable taxes resulting from relocation expenses that are imputed as income to the employee, including federal, state and FICA taxes.

Retirement Programs and Other Benefits

The Company and its subsidiaries maintain a number of defined benefit pension plans for their officers and other employees. The purpose of the pension plans is to provide for fixed benefits upon retirement based on the individual s age and number of years of service. These plans[2] include:

- the qualified Ingersoll-Rand Pension Plan Number One (the Pension Plan);
- the Ingersoll-Rand Supplemental Pension Plans; and
- the Elected Officers Supplemental Programs

The Pension Plan is a funded, tax qualified, non-contributory defined benefit plan that covers the majority of the Company s salaried U.S. employees. The Pension Plan provides for normal retirement at age 65. Vesting occurs after five years of service regardless of age. The formula to determine the lump sum benefit under the Pension Plan is: 5% of final average pay (the five highest out of the last ten years of eligible compensation) for each year of credited service. A choice for distribution between an annuity and a lump sum option is available. For the current NEOs, based on the average of their age, service and compensation history, the average replacement income generated by the Pension Plan, expressed as a percentage of pre-retirement annual cash compensation, is approximately 1%.

The Supplemental Pension Plans are unfunded, non-qualified, non-contributory defined benefit restoration plans, i.e., they provide benefits to each individual U.S. participant in the amounts which would have been payable under the Pension Plan had payments under the Pension Plan not been subject to IRS limits on annual compensation recognized to calculate the Pension Plan benefits. Benefits under the Supplemental Pension Plans are available only as a lump sum after termination unless the lump sum value is deferred under the EDCP Plans in accordance with plan provisions. Approximately 350 employees are covered under the Supplemental Pension Plans. For the current NEOs, based on the average of their age, service and compensation history, the average replacement income generated by the Supplemental Pension Plans, expressed as a percentage of pre-retirement annual cash compensation, is approximately 2.6%.

[2] In light of the American Jobs Creation Act of 2004, mirror plans for the Ingersoll-Rand Supplemental Pension Plan (the Supplemental Pension Plan I), Elected Officer Supplemental Program (the EOSP I) and the EDCP Plan were created. These mirror plans are the Ingersoll-Rand Supplemental Pension Plan II (the Supplemental Pension Plan II and, together with the Supplemental Pension Plan I, the Supplemental Pension Plans), the Elected Officer Supplemental Program II (the EOSP Plan II and, together with the EOSP Plan I, the EOSP Plans) and the EDCP Plan II. The purpose of these mirror plans is not to provide additional benefits to participants, but merely to preserve the tax treatment of the original programs, that is, plans that were in place prior to December 31, 2004. The mirror plan benefit is calculated by subtracting the original benefit value to avoid double-counting the benefit.

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The EOSP Plans are unfunded, non-qualified, non-contributory defined benefit plans, designed to replace a percentage of a participant s final average pay based on his or her age and years of service at the time of retirement. Final average pay is defined as the sum of the individual s current annual salary plus the average of the individual s three highest AIM awards during the most recent six years. No other elements of compensation (other than salary and AIM awards) are included in the definition of the final average pay. The EOSP Plans provide a benefit pursuant to a formula in which 1.9% of a participant s final average pay is multiplied by the participant s years of service (up to a maximum of 35 years) and then reduced by the value of other retirement benefits the participant will receive that are provided by the Company under certain qualified and non-qualified retirement plans as well as Social Security. If additional years of service were granted to an NEO as part of his or her employment agreement, those additional years of service are reflected on the Pension Benefits table in this proxy statement. Participation in the EOSP Plans is limited to elected officers of the Company, of which there are currently 19 participants. Unreduced benefits under the EOSP Plans are available at age 62 and benefits are only available as a lump sum after termination unless the lump sum value is deferred under the EDCP Plans in accordance with plan provisions. For the current NEOs, based on the average of their age, service and compensation history, the average replacement income generated by the EOSP Plans, expressed as a percentage of pre-retirement annual cash compensation, is approximately 40.1%.

The Company offers a qualified, defined contribution (401(k)) plan called the Ingersoll-Rand Company Employee Savings Plan (the ESP) to its salaried and hourly U.S. workforce. The ESP is a plan that provides a dollar for dollar Company match on the first six percent of the employee s contributions to the ESP. The ESP has a number of investment options and is an important component of the Company s retirement program. For the current NEOs, based on the average of their age, service and compensation history, the average replacement income generated by the company match in the ESP, expressed as a percentage of pre-retirement annual cash compensation, is approximately 0.8%.

The Company also has a non-qualified, defined contribution plan. The Ingersoll-Rand Company Supplemental Employee Savings Plan (the Supplemental ESP) is an unfunded plan that makes up matching contributions that cannot be made to the ESP due to IRS or plan limitations. The Supplemental ESP consists of notional Company contributions only. For investment purposes, these notional contributions are deemed to be invested in Class A common shares of the Company. There is no investment discretion in this plan. Approximately 350 employees are covered under this plan. For the current NEOs, based on the average of their age, service and compensation history, the average replacement income generated by the Supplemental ESP, expressed as a percentage of pre-retirement annual cash compensation, is approximately 1.1%.

The Company provides an enhanced, executive long-term disability plan to officers and other senior leaders. The plan provides for a higher monthly maximum than the standard group plan, a more favorable definition of disability and has an underlying individual policy that is portable when the executive terminates.

Discontinued (Frozen) Benefit Plans

The following plans represent old legacy benefit plans that are now frozen and no longer offered to new employees. Since several of our NEOs are long-tenured, they retain benefits under these plans, and therefore the plans are described in detail below to provide full disclosure.

The Company established a 10-Year Annuity Program (the 10-Year Annuity Plan) to provide additional post-employment payments to executive officers to make up for a reduction in the amount of life insurance the executive officers could purchase under the Company s Group Term Life Insurance Plan. Pursuant to the 10-Year Annuity Plan, the Company has entered into arrangements with Mr. Henkel and Ms. Nachtigal under which the Company is obligated to pay Mr. Henkel $125,000 and Ms. Nachtigal $45,000 annually for a ten-year period commencing the later of age 62 (or 65 in the case of Ms. Nachtigal) or termination of employment with the Company, so long as their employment with the Company is not terminated for cause and as long as they meet certain non-competition obligations. In Mr. Henkel s case, he must work until age 62 in order to qualify for

this benefit. In the event of death, the benefits payable to Mr. Henkel and Ms. Nachtigal would be paid to their respective estates to the extent not already paid. In the case of Mr. Henkel, the Company is a beneficiary of a life insurance policy on Mr. Henkel and, based on actuarial assumptions, the life insurance proceeds receivable by the Company will defray the costs associated with this program. Participation in the 10-Year Annuity Plan was frozen in 1999. For the current NEOs, based on the average of their age, service and compensation history, the average replacement income generated by the 10-Year Annuity Plan, expressed as a percentage of pre-retirement annual cash compensation, is approximately 1.1%.

The Senior Executive Death Benefit program was established in 1988 to provide Company officers with pre and post retirement death benefits, which had previously been provided under the Company s Group Term Life Insurance Plan. Under the Senior Executive Death Benefit program, the Company provides Mr. Henkel and Ms. Nachtigal with life insurance coverage of one times annual base salary and AIM program award (increased in certain instances to account for income tax obligations payable by the executive s estate in respect of such supplemental coverage). Participation in this plan was frozen in 1999.

The Company established the Estate Enhancement Program in 1998 to provide a means for executive officers to accumulate estate assets through an insurance benefit. In accordance with the Estate Enhancement Program, in 1999 and 2000, Ms. Nachtigal waived her right to receive $100,000 ($200,000 in the aggregate) of distributions under the then existing PSP program. In connection with these waivers, the Company entered into an arrangement under which it purchased life insurance policies on the life of Ms. Nachtigal, the proceeds of which are payable to designees of Ms. Nachtigal. The program is designed in such a way that the cost of the life insurance policies is unlikely to exceed the cost the Company would have incurred with respect to the distributions waived by Ms. Nachtigal. Participation in this plan was frozen in 2002.

The Management Incentive Unit Plan (the MIU Plan) was established to provide an incentive to attract and retain top performers and to focus the attention of the participants on shareholder value. The MIU Plan has since been replaced with other long-term incentive awards. Participation is frozen and no new MIU awards under this plan have been made since 1990. The MIU Plan is a non-qualified plan that provides quarterly cash payments of dividends and accruals of Class A common share equivalents to active participants based upon the number of MIU units previously awarded to a participant. When cash dividends are paid on the Company s Class A common shares, a participant is paid a cash amount equal to one-half of the dividends the participant would have received had the participant owned one share of Class A common share for each MIU unit granted to the participant. The remaining one-half of each cash dividend is credited to an account for the participant and is converted into Class A common share equivalents which also are held in the participant s MIU account. The one-half portion of the dividend that is credited as a Class A common share equivalent is included in the pension value of accumulated benefit column of the Pension Benefits table. Following retirement, distributions of the Class A common share equivalents (and not the underlying MIUs granted to the participant) are made in cash equal to the fair market value of one share of Class A common share for each Class A common share equivalent credited to the participant s account. There are 16 active participants remaining in the MIU Plan, one of whom is Ms. Nachtigal. For the current NEOs, based on the average of their age, service and compensation history, the average replacement income generated by the MIU Plan, expressed as a percentage of pre-retirement annual cash compensation, is approximately 0.14%.

Trane Benefit Plans

When the Company purchased Trane in June 2008, the purchase agreement stipulated that we would maintain (for a period of no less than one year for qualified plans and two years for non-qualified plans) benefit plans that were no less favorable in the aggregate than what Trane had in place prior to the acquisition date. To honor this commitment, the Company agreed to maintain the Trane benefit plans until the end of the covenant period. No NEO is covered by a Trane plan.

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2008 Chief Executive Officer Compensation

Mr. Henkel s annual salary has remained at $1,275,000 since his last increase in August 2007.

On February 12, 2009, the Compensation Committee approved incentive awards (as described above) to Mr. Henkel as follows:

AIM Program	$1,425,000
PSP Program	55,200 Class A common share equivalents
Stock Option Program	425,000 options

2008 Compensation of Other Named Executive Officers

During 2008, in accordance with the policies stated above, the current NEOs named in the Summary Compensation Table, other than Mr. Henkel, were granted salary increases averaging 11.1%. Messrs. Shawley and Lamach were promoted to new positions during 2008 and therefore the increase for these NEOs is comprised of both a merit and a market increase. Annual cash incentive awards to these executives were granted based on the achievement of performance objectives of the type described above, the Company s financial performance and the contributions made by these executives. These executives were granted annual cash incentive program awards averaging approximately 51% of year-end salary. In addition, these executives were granted PSP program awards in the form of Class A common share equivalents, which will vest and be issued as Class A common shares in February 2010 (subject to continued employment if not already retirement eligible), averaging approximately 22% of year-end salary. These awards are commensurate with the extent to which the NEOs performed relative to the programs performance objectives. We did not include Mr. Gelly in these calculations since he was only active for six months during 2008, received no salary increase and received a pro-rated PSP award for 2008.

The NEOs were also granted stock options/RSUs in respect of the Company s Class A common shares, as indicated in the Grants of Plan-Based Awards table in the Actual Stock and Option Awards column, in accordance with the practices referred to above.

Severance Arrangements

In connection with external recruiting of executive officers, the Company generally enters into employment agreements that provide for severance payments upon certain terminations of those officers, other than in the event of a change in control. Messrs. Henkel and Lamach have such arrangements.

Change In Control Provisions

The Company has entered into change-in-control agreements with its executive officers. All participants are subject to a double trigger, meaning that payments would only be received if an employee is terminated or resigns for good reason within 2 years following a change in control. The Company provides these change-in-control agreements to its executive officers so as to allow them to act in the best interests of shareholders in the event of a change-in-control situation without the distraction of potential negative repercussions of a change-in-control on their own position with the Company. Refer to the Post Employment Benefits section of the Proxy for a more detailed description of the change in control provisions.

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Compensation Committee Report

We have reviewed and discussed with management the Compensation Discussion and Analysis contained in this proxy statement.

Based on our review and discussion, we recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement as well as the Company s Annual Report on Form 10-K for the year ended December 31, 2008.

COMPENSATION COMMITTEE

Orin R. Smith (Chair)

Jared L. Cohon

Gary D. Forsee

Constance J. Horner

Tony L. White

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Executive Compensation

The following table provides summary information concerning compensation paid or accrued by the Company to or on behalf of our Chief Executive Officer, both our former and current Chief Financial Officer and each of our three other most highly compensated executive officers (collectively, the named executive officers, or the NEOs) for services rendered during the last fiscal year.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary ($)(a)