

WATTS WATER TECHNOLOGIES INC  
Form PRE 14A  
March 09, 2007  
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  o

Check the appropriate box:

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

**WATTS WATER TECHNOLOGIES, INC.**

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
  - (2) Aggregate number of securities to which transaction applies:
  - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  - (4) Proposed maximum aggregate value of transaction:
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- o Fee paid previously with preliminary materials.
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
  - (1) Amount Previously Paid:
  - (2) Form, Schedule or Registration Statement No.:
  - (3) Filing Party:
  - (4) Date Filed:

**Watts Water Technologies, Inc.**

**March 30, 2007**

Dear Stockholder:

We cordially invite you to attend our 2007 Annual Meeting of Stockholders, which will be held on Wednesday, May 2, 2007 at 10:00 a.m. at The Andover Country Club, 60 Canterbury Street, Andover, Massachusetts 01810.

On the pages following this letter you will find the notice of our 2007 Annual Meeting, which lists the business matters to be considered at the meeting, and the proxy statement, which describes the matters listed in the notice. We have also enclosed your proxy card and our annual report for the year ended December 31, 2006.

Your support of our efforts is important to the other directors and to me regardless of the number of shares you own. I hope you will vote as soon as possible. If you are a stockholder of record, you may vote by completing, signing and mailing the enclosed proxy card in the envelope provided. If your shares are held in street name that is, held for your account by a broker or other nominee you will receive instructions from the holder of record that you must follow for your shares to be voted.

Following completion of the scheduled business at the 2007 Annual Meeting, we will report on our operations and answer questions from stockholders. We hope that you will be able to join us on May 2nd.

Sincerely,

PATRICK S. O'KEEFE  
*President and Chief Executive Officer*

**WATTS WATER TECHNOLOGIES, INC.**

**815 Chestnut Street  
North Andover, MA 01845**

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held on May 2, 2007**

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To the Stockholders of  
Watts Water Technologies, Inc.

Notice is hereby given that the 2007 Annual Meeting of Stockholders of Watts Water Technologies, Inc., a Delaware corporation, will be held at The Andover Country Club, 60 Canterbury Street, Andover, Massachusetts 01810, on Wednesday, May 2, 2007, at 10:00 a.m., local time, for the following purposes:

1. To elect eight directors to our Board of Directors, each to hold office until our 2008 Annual Meeting of Stockholders and until such director's successor is duly elected and qualified;
2. To approve an amendment to our Restated Certificate of Incorporation, as amended, to increase the number of authorized shares of class A common stock from 80,000,000 shares to 200,000,000 shares and to increase the number of authorized shares of capital stock from 110,000,000 shares to 230,000,000 shares;
3. To amend our Management Stock Purchase Plan, as amended and restated, to increase the number of shares of class A common stock available for issuance thereunder from 1,000,000 shares to 2,000,000 shares; and
4. To ratify the selection of KPMG LLP as our independent registered public accounting firm for the current fiscal year.

The stockholders will also consider and act upon any other matters that may properly come before the Annual Meeting.

Only stockholders of record at the close of business on March 26, 2007 are entitled to notice of and to vote at the meeting or any adjournment or postponement thereof.

By Order of the Board of Directors

LESTER J. TAUFEN  
*Secretary*

North Andover, Massachusetts  
March 30, 2007

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WATTS WATER TECHNOLOGIES, INC.

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ANNUAL MEETING OF STOCKHOLDERS

May 2, 2007

PROXY STATEMENT

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INFORMATION CONCERNING SOLICITATION AND VOTING

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of Watts Water Technologies, Inc. for use at our 2007 Annual Meeting of Stockholders to be held on Wednesday, May 2, 2007 at 10:00 a.m., local time, at The Andover Country Club, 60 Canterbury Street, Andover, Massachusetts 01810 and at any adjournment or postponement of the Annual Meeting.

**We are mailing this proxy statement and the enclosed proxy on or about March 30, 2007 to our stockholders of record as of March 26, 2007. We are also mailing our Annual Report for the fiscal year ended December 31, 2006 to such stockholders concurrently with this proxy statement. We will furnish, upon written request of any stockholder and the payment of an appropriate processing fee, copies of the exhibits to our Annual Report on Form 10-K for the fiscal year ended December 31, 2006. Please address all such requests to Lester J. Taufen, Secretary, Watts Water Technologies, Inc., 815 Chestnut Street, North Andover, MA 01845.**

Only stockholders of record at the close of business on March 26, 2007 are entitled to receive notice of and to vote at the Annual Meeting. Each share of our class A common stock, par value \$.10 per share, outstanding on the record date is entitled to one vote, and each share of our class B common stock, par value \$.10 per share, outstanding on the record date is entitled to ten votes. As of the close of business on March 26, 2007, there were outstanding and entitled to vote \_\_\_\_\_ shares of class A common stock and \_\_\_\_\_ shares of class B common stock.

If your shares are held in street name by a bank or brokerage firm, your bank or brokerage firm, as the record holder of your shares, is required to vote your shares according to your instructions. In order to vote your shares, you will need to follow the directions your bank or brokerage firm provides you. Many banks and brokerage firms also offer the option of voting over the Internet or by telephone, instructions for which would be provided by your bank or brokerage firm on your voting instruction form. Under the rules of the New York Stock Exchange if you do not give instructions to your bank or brokerage firm, it will still be able to vote your shares with respect to discretionary items, but it will not be allowed to vote your shares with respect to non-discretionary items. In the case of non-discretionary items, your unvoted shares will be treated as broker non-votes. The election of directors (proposal 1), the approval of the amendment to our Certificate of Incorporation (proposal 2), and the ratification of the selection of KPMG LLP as our independent registered public accounting firm (proposal 4) are considered to be discretionary items. The approval of the amendment to our Management Stock Purchase Plan (proposal 3) is considered to be a non-discretionary item. Accordingly, if you do not give your bank or brokerage firm instructions on how to vote your shares with respect to proposal 3, or if your bank or brokerage firm does not exercise its discretionary authority to vote your shares with respect to proposals 1, 2 or 4, your shares will be treated as broker non-votes on the particular matter.

The presence, in person or by proxy, of outstanding shares of class A common stock and class B common stock representing a majority of the total votes entitled to be cast is necessary to constitute a quorum for the transaction of business at our Annual Meeting. Shares that reflect abstentions will be counted for purposes of determining whether a quorum is present for the transaction of business at the Annual Meeting.

The eight nominees for director receiving the highest number of votes FOR election will be elected as directors. This is called a plurality. As discussed above, if your shares are held in street name, and if you do not vote your shares, your brokerage firm has discretionary authority under the rules of the New York Stock Exchange to vote your unvoted shares on proposal 1. You may vote for all of the director nominees,

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withhold your vote from all of the director nominees or withhold your vote from any one or more of the director nominees. Votes that are withheld will not be included in the vote tally for the election of directors and will have no effect on the results of the vote.

Approval of the amendment to our Certificate of Incorporation requires the affirmative vote of the holders of a majority of the votes represented by the outstanding shares of class A common stock and class B common stock, voting together as a class. In addition, the amendment requires the affirmative vote of the holders of a majority of the issued and outstanding shares of class A common stock and the holders of a majority of the issued and outstanding shares of class B common stock, each voting as a separate class. As discussed above, if your shares are held in street name, and if you do not vote your shares, your bank or brokerage firm has discretionary authority under the rules of the New York Stock Exchange to vote your unvoted shares on proposal 2. Because shares that abstain are nonetheless considered outstanding shares, abstentions on proposal 2 will have the same effect as a vote against the proposed amendment to our Certificate of Incorporation.

Approval of the amendment to our Management Stock Purchase Plan requires the affirmative vote of the holders of a majority of the votes present or represented at the annual meeting and entitled to be cast on the proposal. In addition, the rules of the New York Stock Exchange provide that the minimum vote that will constitute stockholder approval for listing purposes is a majority of votes cast on the proposal, provided that the total votes cast on the proposal represents over 50% in interest of all shares entitled to vote on the proposal. As discussed above, if your shares are held in street name, and if you do not vote your shares, your bank or brokerage firm does not have discretionary authority under the rules of the New York Stock Exchange to vote your unvoted shares on proposal 3 and your shares will be treated as broker non-votes. However, broker non-votes will have no effect on the vote because they will not be considered to have been entitled to vote on proposal 3. If you vote to abstain on proposal 3, your shares will not be voted in favor of such proposal, although your shares will be considered to have been entitled to vote on the proposal. As a result, voting to abstain on proposal 3 has the effect of voting against such proposal.

Ratification of the selection of KPMG as our independent registered public accounting firm for 2007 requires the affirmative vote of a majority of all the votes present or represented at the Annual Meeting and entitled to be cast on the proposal. As discussed above, if your shares are held in street name, and if you do not vote your shares, your bank or brokerage firm has discretionary authority under the rules of the New York Stock Exchange to vote your unvoted shares on proposal 4. If you vote to abstain on proposal 4, your shares will not be voted in favor of such proposal, although your shares will be considered to have been entitled to vote on the proposal. As a result, voting to abstain on proposal 4 has the effect of voting against such proposal.

Shares represented by duly executed proxies received by us and not revoked will be voted at the Annual Meeting in accordance with the instructions contained therein. If no instructions are given, properly executed proxies will be voted for the election of each of the nominees named herein for director, for the amendment to our Certificate of Incorporation, for the amendment to our Management Stock Purchase Plan, and for the ratification of the selection of KPMG as our independent registered public accounting firm for the current fiscal year.

You may revoke your proxy at any time before it is voted on any matter by (1) giving written notice of such revocation to the Secretary of Watts Water Technologies, Inc. at the address set forth below, (2) signing and duly delivering a proxy bearing a later date, or (3) attending our Annual Meeting and voting in person. Your attendance at our Annual Meeting will not, by itself, revoke your previously submitted proxy.

We will bear the expenses of preparing, printing and assembling the materials used in the solicitation of proxies. In addition to the solicitation of proxies by use of the mail, we may also use the services of some of our officers and employees (who will receive no compensation for such services in addition to their

regular salaries) to solicit proxies personally and by telephone and email. Brokerage houses, nominees, fiduciaries and other custodians will be requested to forward solicitation materials to the beneficial owners of shares held of record by them and we will reimburse them for their reasonable expenses.

Our management does not know of any business other than the matters set forth in the Notice of Annual Meeting of Stockholders and described above that will be presented for consideration at the Annual Meeting. If any other business should come before the Annual Meeting, the proxies will be voted in accordance with the direction of the proxy holders. Each of the persons appointed by the enclosed form of proxy present and acting at the meeting, in person or by substitute, may exercise all of the powers and authority of the proxies in accordance with their judgment.

Our principal executive offices are located at 815 Chestnut Street, North Andover, Massachusetts 01845.

**PROPOSAL 1  
ELECTION OF DIRECTORS**

Our Board has fixed the number of directors at eight and nominated each of the individuals named below for election as a director. If elected, each nominee will serve until our 2008 Annual Meeting of Stockholders and until such director's successor has been duly elected and qualified. Proxies will be voted for each of the nominees named below unless otherwise specified in the proxy. All of the nominees are presently members of our Board. Management does not contemplate that any of the nominees will be unable to serve, but in that event, proxies solicited hereby may be voted for a substitute nominee designated by our Board or our Board may choose to reduce the number of directors serving on the Board. Holders of shares representing votes sufficient to elect each of the nominees named below have indicated to us their intention to vote in favor of such nominees.

**Our Board of Directors recommends that stockholders vote FOR the election of each nominee as a director of Watts Water Technologies, Inc.**

**INFORMATION AS TO NOMINEES FOR DIRECTOR**

Set forth below is the name and age of each nominee for director, his principal occupation for at least the past five years, the year each became a member of our Board of Directors and certain other information. The information is as of February 1, 2007.

<b>Name</b>	<b>Age</b>	<b>Present Principal Employment and Prior Business Experience</b>	<b>Director Since</b>
Robert L. Ayers	61	Mr. Ayers was Senior Vice President of ITT Industries and President of ITT Industries Fluid Technology from October 1999 until September 2005. Mr. Ayers continued to be employed by ITT Industries from September 2005 until his retirement in September 2006, during which time he focused on special projects for the company. ITT Industries Fluid Technology manufactures a broad range of pumps, mixers, controls and treatment systems. Mr. Ayers originally joined ITT Industries in 1998 as President of ITT Industries Industrial Pump Group. Before joining ITT Industries, Mr. Ayers was President of Sulzer Industrial USA and Chief Executive Officer of Sulzer Bingham.	2006
Timothy P. Horne	68	Mr. Horne served as Chairman of our Board of Directors from April 1986 to August 2002. He served as our Chief Executive Officer from 1978 to August 2002 and our President from 1976 to 1978, from 1994 to April 1997 and from October 1999 to August 2002. Mr. Horne joined Watts in 1959, and retired on December 31, 2002. Since his retirement, Mr. Horne has continued to serve Watts as a consultant.	1962
Ralph E. Jackson, Jr.	65	Mr. Jackson worked for Cooper Industries, Inc., a manufacturer of electrical products, from 1985 until his retirement in December 2003. Prior to joining Cooper Industries, Mr. Jackson worked for the Bussmann and Air Comfort divisions of McGraw-Edison from 1976 until McGraw-Edison was acquired by Cooper Industries in 1985. While with Cooper Industries, Mr. Jackson served as Chief Operating Officer from 2000 to December 2003, Executive Vice President, Electrical Operations from 1992 to 2000, and President, Bussmann Division from 1985 to 1992. Mr. Jackson served as a member of the Board of Directors of Cooper Industries from 2000 to December 2003.	2004
Kenneth J. McAvoy	66	Mr. McAvoy served as our Chief Financial Officer and Treasurer from 1986 to 1999; our Vice President of Finance from 1984 to 1994; our Executive Vice President of European Operations from 1994 to 1996; and our Secretary from 1985 to 1999. Mr. McAvoy originally joined Watts in 1981 as Corporate Controller and retired on December 31, 1999.	1994

John K. McGillicuddy	63	Mr. McGillicuddy was employed by KPMG LLP, a public accounting firm, from June 1965 until his retirement in June 2000. In June 1975, Mr. McGillicuddy was elected into the Partnership of KPMG LLP, where he served as Audit Partner, SEC Reviewing Partner, Partner-in-Charge of Professional Practice, Partner-in-Charge of College Recruiting and Partner-in-Charge of Staff Scheduling. Mr. McGillicuddy is a director of Brooks Automation, Inc.	2003
Gordon W. Moran	68	Mr. Moran has served as non-executive Chairman of our Board since August 2002. He has served as Chairman of Hollingsworth & Vose Company, a paper manufacturer, since 1997 and served as its President and Chief Executive Officer from 1983 to 1998.	1990
Daniel J. Murphy, III	65	Mr. Murphy has served as Chairman of Northmark Bank, a commercial bank he founded, since August 1987. Prior to forming Northmark Bank in 1987, Mr. Murphy was a Managing Director of Knightsbridge Partners, Inc., a venture capital firm, from January to August 1987 and President and a director of Arltru Bancorporation, a bank holding company, and its wholly owned subsidiary, Arlington Trust Company, from 1980 to 1986.	1986
Patrick S. O Keefe	54	Mr. O Keefe became our President and Chief Executive Officer in August 2002. From 1999 to 2001, Mr. O Keefe served as President, Chief Executive Officer and director of Industrial Distribution Group, a supplier of maintenance, repair, operating and production products. From 1997 to 1999, he was Chief Executive Officer of Zep Manufacturing, a unit of National Services Industries and a manufacturer of specialty chemicals. From 1994 to 1997, Mr. O Keefe held various senior management positions with Crane Co.	2002

## DIRECTOR COMPENSATION

Members of our Board of Directors who are employees of Watts receive no compensation for their service as directors. Non-employee directors are compensated for their service as directors.

Prior to its quarterly meeting held on February 5, 2007, the Compensation Committee reviewed the compensation paid to our non-employee directors. The Compensation Committee compared non-employee director compensation arrangements to compensation paid to non-employee directors of companies in the peer group we use for executive compensation comparison purposes. A list of the companies included in this peer group and a description of the criteria used in selecting these companies is provided elsewhere in this proxy statement under Compensation Discussion and Analysis Compensation Philosophy Benchmarking. The Compensation Committee also considered the recommendations of Watson Wyatt & Company, a compensation consultant retained by the Compensation Committee during 2006, and reviewed the responsibilities of our non-employee directors and the amount



of time required to perform those responsibilities. Based on its analysis, the Compensation Committee recommended, and the Board approved, a change in the annual compensation paid to our non-employee directors for 2007. Set forth below is a description of the annual compensation arrangements for our non-employee directors in effect for 2006 and the new annual compensation arrangements for 2007.

	2006(\$)	2007(\$)
Annual retainer	30,000	30,000
Regularly scheduled Board meetings attended in person	1,000	2,000
Regularly scheduled committee meetings attended in person	1,000	None
Additional annual retainer for the Chairman of the Board of Directors	None	5,000
Additional annual retainer for the Chairman of the Audit Committee	10,000	10,000
Additional annual retainer for the Chairman of each of the Compensation Committee and the Nominating and Corporate Governance Committee	3,000	3,000
Fair market value of annual grant of class A common stock	30,000	45,000

For 2006, fees for attendance at regularly scheduled Board and/or committee meetings were limited to \$1,000 per day for each non-employee director. In 2007, non-employee directors will receive a single fee of \$2,000 for attending each regularly scheduled Board meeting in person and will not receive additional compensation for attendance at committee meetings. Non-employee directors will not receive any additional compensation for participation in meetings held by telephone conference call. We reimburse non-employee directors for reasonable out-of-pocket expenses incurred in connection with attending Board and committee meetings and for fees and reasonable out-of-pocket expenses for their attendance at director education seminars and programs they attend at the request of the Board.

The restricted stock awards granted in 2006 vest in three equal annual installments beginning one year from the date of grant. If a non-employee director's service as a director is terminated for any reason (other than death or disability), any shares of restricted stock that have not vested are automatically forfeited upon termination of such service as a director. The Board granted 852 shares of restricted stock to each of Mr. Horne, Mr. Jackson, Mr. McAvoy, Mr. McGillicuddy, Mr. Moran and Mr. Murphy as of August 4, 2006 and 729 shares of restricted stock to Mr. Ayers as of November 3, 2006 in connection with his election as a member of the Board. Beginning in 2007, non-employee directors will receive awards of class A common stock that are not subject to vesting or forfeiture. All stock awards are granted under our 2004 Stock Incentive Plan. Our Board typically approves the grants of stock awards to non-employee directors at its regularly scheduled third quarter meeting. We have adopted a practice that stock awards for non-employee directors are granted on the third business day following the release of our second quarter earnings to the public. The purpose for setting the grant date of stock awards on the third business day following the release of our most recent quarterly earnings to the public is to ensure that we are using a date when the public markets have a maximum amount of information about our financial performance and have had a sufficient amount of time to understand and react to such information.

The following table contains information on compensation for the non-employee members of our Board of Directors during the fiscal year ended December 31, 2006.

**2006 DIRECTOR COMPENSATION**

Name	Fees Earned or Paid in Cash(\$)	Stock Awards(\$)(1)	Option Awards\$(2)	All Other Compensation(\$)	Total(\$)
Robert L. Ayers	9,500 (3)	1,667			11,167
Timothy P. Horne	40,000	24,165		647,724 (4)	711,889
Ralph E. Jackson, Jr.	42,000	24,148			66,148
Kenneth J. McAvoy	39,000	24,165		96,904 (5)	160,069
John K. McGillicuddy	50,000	24,165			74,165
Gordon W. Moran	51,635 (6)				