

Altra Industrial Motion Corp.  
Form DEF 14A  
March 20, 2014  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**Schedule 14A Information**  
**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

- 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 Section 240.14a-12

ALTRA INDUSTRIAL MOTION CORP.  
(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):

- No fee required
  - Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- (1) Title of each class of securities to which transaction applies:

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

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

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(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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**Altra Industrial Motion Corp.**

**300 Granite Street, Suite 201**

**Braintree, Massachusetts 02184**

**[www.altramotion.com](http://www.altramotion.com)**

March 20, 2014

Dear Fellow Stockholders:

You are cordially invited to attend the 2014 Annual Meeting of Stockholders of Altra Industrial Motion Corp. ( Altra ) to be held at 9:00 a.m. EDT on Thursday, April 24, 2014 at the Boston Marriott Quincy, 1000 Marriott Drive, Quincy, Massachusetts 02169. You will find directions to the meeting on the back cover of the accompanying Proxy Statement.

The Notice of Annual Meeting and Proxy Statement describe the matters to be acted upon at the meeting. We will also report on matters of interest to Altra stockholders.

Your vote is important. Whether or not you plan to attend the Annual Meeting in person, we encourage you to submit a proxy so that your shares will be represented and voted at the meeting. You may submit a proxy by calling a toll-free telephone number, by accessing the internet or by completing and mailing the enclosed proxy card in the return envelope provided. If you do not vote by one of the methods described above, you still may attend the Annual Meeting and vote in person.

Thank you for your continued support of Altra.

Sincerely,

Carl R. Christenson  
*President and Chief Executive Officer*

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**Altra Industrial Motion Corp.**

**300 Granite Street, Suite 201**

**Braintree, Massachusetts 02184**

March 20, 2014

The 2014 Annual Meeting of Stockholders of Altra Industrial Motion Corp. ( Altra , the Company , we or our ) will be held as follows:

DATE: Thursday, April 24, 2014

TIME: 9:00 a.m. EDT

LOCATION: Boston Marriott Quincy, 1000 Marriott Drive, Quincy, Massachusetts 02169

PURPOSE: To consider and act upon the following proposals:

1. The election of the 7 nominees for director named in the accompanying Proxy Statement;
2. The ratification of the selection of the independent registered public accounting firm;
3. The approval of the adoption of the Altra Industrial Motion Corp. 2014 Omnibus Incentive Plan;
4. An advisory vote to approve the compensation of Altra s named executive officers ( Say on Pay ); and
5. Such other business as may properly come before the meeting.

Shares represented by properly executed proxies that are hereby solicited by the Board of Directors of Altra will be voted in accordance with the instructions specified therein. Shares represented by proxies that are not limited to the contrary will be voted in favor of the election as directors of the persons nominated pursuant to Proposal 1 in the accompanying Proxy Statement and in favor of Proposal 2, Proposal 3 and Proposal 4.

Stockholders of record at the close of business on March 11, 2014 will be entitled to vote at the meeting.

By order of the Board of Directors,

Glenn E. Deegan  
*Vice President, Legal and Human Resources, General  
Counsel and Secretary*

**It is important that your shares be represented and voted,**

**whether or not you plan to attend the meeting.**

**YOU CAN VOTE:**

**1. BY MAIL:**

**Promptly return your signed and dated proxy/voting instruction card in the enclosed envelope.**

2. **BY TELEPHONE:**

Call toll-free 1-800-690-6903 and follow the instructions.

3. **BY INTERNET:**

Access [www.proxyvote.com](http://www.proxyvote.com) and follow the on-screen instructions.

4. **IN PERSON:**

You may attend the Annual Meeting and vote in person.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS**

**FOR THE STOCKHOLDER MEETING TO BE HELD ON APRIL 24, 2014**

Altra's proxy statement, form of Proxy Card and 2013 Annual Report on Form 10-K are available at <http://ir.altramotion.com/financials.cfm>.

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**PROXY STATEMENT**

**2014 ANNUAL MEETING OF STOCKHOLDERS**

**Thursday, April 24, 2014**

**ALTRA INDUSTRIAL MOTION CORP.**

**300 Granite Street, Suite 201**

**Braintree, Massachusetts 02184**

**GENERAL INFORMATION**

**Proxy Solicitation**

These proxy materials are being mailed or otherwise sent to stockholders of Altra Industrial Motion Corp. ( Altra , the Company , we or our ) on or about March 20, 2014, in connection with the solicitation of proxies by Altra 's Board of Directors (the Board of Directors or the Board ) for the Annual Meeting of Stockholders of Altra to be held at 9:00 a.m. EDT on Thursday, April 24, 2014, at the Boston Marriott Quincy, 1000 Marriott Drive, Quincy, Massachusetts 02169. Directors, officers and other Altra employees also may solicit proxies by telephone or otherwise, but will not receive compensation for such services. Altra pays the cost of soliciting your proxy and reimburses brokers and other nominees their reasonable expenses for forwarding proxy materials to you.

**Stockholders Entitled to Vote**

Stockholders of record at the close of business on March 11, 2014, are entitled to notice of and to vote at the meeting. As of such date, there were 27,067,409 shares of Altra common stock outstanding, each entitled to one vote.

**How to Vote**

Stockholders of record described above may cast their votes by:

- (1) signing, completing and returning the enclosed proxy card in the enclosed postage-paid envelope;
- (2) calling toll-free 1-800-690-6903 and following the instructions;
- (3) accessing [www.proxyvote.com](http://www.proxyvote.com) and following the instructions; or
- (4) attending the Annual Meeting and voting in person.

**Revocation of Proxies**

A proxy may be revoked at any time before it is voted by delivering written notice of revocation to the Corporate Secretary of Altra at the address set forth above, by delivering a proxy bearing a later date, or by voting in person at the meeting.

**Quorum; Required Vote**

The holders of a majority of the shares entitled to vote at the meeting must be present in person or represented by proxy to constitute a quorum. Proxies received but marked as withheld, abstentions, or those treated as broker non-votes will be included in the calculation of the number of shares considered to be present at the Annual Meeting in determining a quorum. If a quorum is not present at the Annual Meeting, we will be forced to reconvene the Annual Meeting at a later date.

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Your shares may be voted if they are held in the name of a brokerage firm or bank (a broker), even if you do not provide the broker with voting instructions. Brokers have the authority, under applicable rules, to vote shares on certain routine matters for which their customers do not provide voting instructions. The ratification



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of the appointment of the independent registered public accounting firm of the Company is considered a routine matter. The election of directors, the approval of the 2014 Omnibus Incentive Plan, and the advisory vote to approve the compensation of the Company's named executive officers ( Say on Pay ) are not considered routine matters. Broker non-votes are shares held by brokers or nominees for which instructions have not been received from the beneficial owners, or persons entitled to vote, and the broker is barred from exercising its discretionary authority to vote the shares because the proposal is a non-routine matter.

**Election of Directors: Proposal 1.** A plurality of the votes cast is required for the election of directors. You may vote FOR all or some of the nominees or your vote may be WITHHELD with respect to one or more of the nominees. Votes WITHHELD and broker non-votes with respect to the election of directors will have no effect upon election of directors. You may not cumulate your votes for the election of directors.

**Ratification of Independent Registered Public Accounting Firm: Proposal 2.** Ratification of the selection of our independent registered public accounting firm requires the affirmative vote of a majority of the votes cast for or against the matter. You may vote FOR, AGAINST or ABSTAIN in connection with Proposal 2. Abstentions and broker non-votes will have no effect on this proposal.

**Approval of the Adoption of the Altra Industrial Motion Corp. 2014 Omnibus Incentive Plan: Proposal 3.** Approval of the adoption of Altra's 2014 Omnibus Incentive Plan requires the affirmative vote of a majority of the votes cast for or against the matter. You may vote FOR, AGAINST or ABSTAIN in connection with Proposal 3. Abstentions and broker non-votes will have no effect on this proposal.

**Advisory Vote to Approve the Compensation of our Named Executive Officers: Proposal 4.** The approval of Proposal 4, regarding the compensation of our named executive officers, requires the affirmative vote of a majority of the votes cast for or against the matter. You may vote FOR, AGAINST or ABSTAIN in connection with Proposal 4. Abstentions and broker non-votes have no effect on this proposal. Because the vote on the Say on Pay proposal is advisory, it will not be binding on the Board of Directors or the Company. However, the Compensation Committee will take into account the outcome of the Say on Pay vote when considering future executive compensation arrangements.

If you provide specific instructions with regard to certain items, your shares will be voted as you instruct on such items. If no instructions are indicated, the shares will be voted as recommended by the Board of Directors.

## **Other Matters**

The Board of Directors is not aware of any matters to be presented at the meeting other than those set forth in the accompanying notice. If any other matters properly come before the meeting, the persons named in the proxy will vote on such matters in accordance with their best judgment.

## **Additional Information**

Additional information regarding the Company appears in our Annual Report on Form 10-K for the year ended December 31, 2013, a copy of which, including the financial statements and schedules thereto, but not the exhibits, accompanies this Proxy Statement. In addition, such report and the other reports we file with the Securities and Exchange Commission ( SEC ) are available, free of charge, through the Investor Relations section of our internet website at <http://www.altramotion.com>. Printed copies of these documents and any exhibit to our Form 10-K may be obtained, without charge, by contacting the Corporate Secretary, Altra Industrial Motion Corp., 300 Granite Street, Suite 201, Braintree, Massachusetts 02184, telephone (781) 917-0600.

## **IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON APRIL 24, 2014**

Altra's proxy statement, form of Proxy Card and 2013 Annual Report on Form 10-K are available at <http://ir.altramotion.com/financials.cfm>.

**Table of Contents****OWNERSHIP OF ALTRA COMMON STOCK****Securities Owned by Certain Beneficial Owners and Management**

The following table sets forth certain information as of March 11, 2014, regarding the beneficial ownership of shares of our common stock by: (i) each person or entity known to us to be the beneficial owner of more than 5% of our common stock; (ii) each of our named executive officers; (iii) each member of our Board of Directors; and (iv) all members of our Board of Directors and executive officers as a group.

Beneficial ownership is determined in accordance with rules adopted by the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock issuable upon the exercise of stock options or warrants or the conversion of other securities held by that person that are currently exercisable or convertible, or are exercisable or convertible within 60 days of March 11, 2014, are deemed to be issued and outstanding. These shares, however, are not deemed outstanding for the purposes of computing percentage ownership of each other stockholder. Percentage of beneficial ownership is otherwise based on 27,067,409 shares of common stock outstanding as of March 11, 2014.

Name and Address of Beneficial Owner	Securities Beneficially Owned	
	Shares of Common Stock Beneficially Owned	Percentage of Common Stock Outstanding
<b>Principal Securityholders:</b>		
Wellington Management Company, LLP (2)	3,761,581	13.9%
The Vanguard Group, Inc. (3)	1,569,791	5.8%
BlackRock, Inc. (4)	1,483,473	5.5%
<b>Named Executive Officers:</b>		
Carl R. Christenson (1)	456,634	1.7%
Christian Storch(1)	97,922	*
Gerald Ferris (1) (5)	80,267	*
Glenn Deegan(1)	31,362	*
Craig Schuele(1)	88,476	*
<b>Directors:</b>		
Michael L. Hurt(1)	23,564	*
Edmund M. Carpenter(1)	31,904	*
Lyle G. Ganske (1) (6)	39,078	*
Michael S. Lipscomb(1)	28,578	*
Larry McPherson(1)	84,667	*
James H. Woodward Jr.(1)	33,999	*
All directors and executive officers as a group (12 persons)	1,017,072	3.8%

\* Represents beneficial ownership of less than 1%.

- (1) Except as otherwise noted below, each of these individuals' address of record is c/o Altra Industrial Motion Corp., 300 Granite Street, Suite 201, Braintree, Massachusetts 02184. To our knowledge, except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons listed in the table have sole investment and voting power with respect to all Company securities owned by them.
- (2) The address of the Wellington Management Company, LLP is 280 Congress Street, Boston, MA 02210. Information and share amounts listed are derived from Wellington Management Company, LLP's Schedule 13G/A filed with the SEC on February 14, 2014.

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- (3) The address of The Vanguard Group, Inc. is 100 Vanguard Blvd., Malvern, PA 19355. A portion of the shares are held by Vanguard Fiduciary Trust Company and Vanguard Investments Australia, Ltd., each of which is a subsidiary of The Vanguard Group, Inc. Information and share amounts listed are derived from The Vanguard Group, Inc.'s Schedule 13G/A filed with the SEC on February 11, 2014.

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- (4) The address of BlackRock, Inc. is 40 East 52<sup>nd</sup> Street, New York, NY 10022. Shares are held by BlackRock Advisors (UK) Limited, BlackRock Advisors, LLC, BlackRock Asset Management Canada Limited, BlackRock Fund Advisors, BlackRock Institutional Trust Company, N.A., BlackRock Investment Management (Australia) Limited, BlackRock Investment Management (UK) Ltd, and BlackRock Investment Management, LLC, each of which is a subsidiary of BlackRock, Inc. Information and share amounts listed are derived from BlackRock, Inc.'s Schedule 13G/A filed with the SEC on January 28, 2014.
  
- (5) Includes 300 shares held by Mr. Ferris' children for which Mr. Ferris does not have voting or investment power.
  
- (6) Includes 500 shares as to which Mr. Ganske shares voting and investment power with his wife and includes 3,486 shares held in trust for the benefit of Mr. Ganske's daughters, for which Mr. Ganske's wife serves as trustee and for which Mr. Ganske does not have voting or investment power.

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**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires Altra's directors, executive officers and beneficial owners of more than 10% of Altra's equity securities ( 10% Owners ) to file initial reports of their ownership of Altra's equity securities and reports of changes in such ownership with the SEC. Directors, executive officers and 10% Owners are required by SEC regulations to furnish Altra with copies of all Section 16(a) forms they file. Based solely on a review of copies of such forms and written representations from Altra's directors, executive officers and 10% Owners, Altra believes that for the fiscal year of 2013, all of its directors, executive officers and 10% Owners were in compliance with the disclosure requirements of Section 16(a) except for the following: (i) Carl Christenson was late in filing a report on Form 4 for a transaction that occurred on May 7, 2013; (ii) Lyle Ganske was late in filing a report on Form 4 for a transaction that occurred on May 9, 2013; and (iii) James Woodward was late in filing a report on Form 4 for a transaction that occurred on May 9, 2013.

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**PROPOSAL 1. ELECTION OF DIRECTORS**

The current Board of Directors is made up of seven directors each of whom's term expires at the 2014 Annual Meeting. Michael L. Hurt will retire from the Board of Directors at the expiration of his current term. The Company's Nominating and Corporate Governance Committee, after due consideration of the Company's criteria and minimum qualifications for nomination, has nominated Thomas W. Swidarski to fill the vacancy created by the retirement of Mr. Hurt. Mr. Swidarski was recommended by a non-management director to the Nominating and Corporate Governance Committee. Accordingly, the following director nominees have been nominated by the Company's Nominating and Corporate Governance Committee for election or re-election, as applicable, to serve for a term of one year until the 2015 Annual Meeting and until their successors have been duly elected and qualified:

Edmund M. Carpenter

Carl R. Christenson

Lyle G. Ganske

Michael S. Lipscomb

Larry McPherson

Thomas W. Swidarski

James H. Woodward Jr.

All of the nominees for election have consented to being named in this Proxy Statement and to serve if elected. Biographical information for each of the nominees as of March 11, 2014, is presented below.

**The Board of Directors recommends that stockholders vote FOR the election of Messrs. Carpenter, Christenson, Ganske, Lipscomb, McPherson, Swidarski and Woodward.**

**NOMINEES FOR DIRECTOR**

*Edmund M. Carpenter, 72*, has been a director since March 2007. Mr. Carpenter currently serves as an operating partner to Genstar Capital. Mr. Carpenter was President and Chief Executive Officer of Barnes Group Inc. from 1998 until his retirement in December 2006. Prior to joining Barnes Group Inc., Mr. Carpenter was Senior Managing Director of Clayton, Dubilier & Rice from 1996 to 1998, and Chief Executive Officer of General Signal from 1988 to 1995. Prior to joining General Signal Corporation, Mr. Carpenter held various executive positions at ITT Corporation, including President and Chief Operating Officer. Prior to joining ITT, he held executive positions with Fruehauf Corporation and served as a partner in the management services division of Touche Ross & Company. He began his career at Michigan Bell Telephone Company. He has served as a director at Campbell Soup Company since 1990. He holds both an M.B.A. and a B.S.E. in Industrial Engineering from the University of Michigan. Having served as CEO of a diversified global manufacturing and logistical services company, Mr. Carpenter presents valuable insight into organizational and operational management issues crucial to a public manufacturing company.

*Carl R. Christenson, 54*, has been our Chief Executive Officer since January 2009 and a director since July 2007. Prior to his current position, Mr. Christenson served as our President and Chief Operating Officer from January 2005 to December 2008. From 2001 to 2005, Mr. Christenson was the President of Kaydon Bearings, a manufacturer of custom-engineered bearings and a division of Kaydon Corporation. Prior to joining Kaydon, Mr. Christenson held a number of management positions at TB Wood's Incorporated and several positions at the Torrington Company. Mr. Christenson has served as a director at OM Group, Inc., a NYSE listed technology-driven diversified industrial company, since 2013. Mr. Christenson holds a M.S. and B.S. degree in Mechanical Engineering from the University of Massachusetts and an M.B.A. from Rensselaer Polytechnic. In addition to more than twenty five years of experience in manufacturing companies, Mr. Christenson brings vast knowledge of the Company's business, structure, history and culture to the Board and the CEO position.

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*Lyle G. Ganske*, 55, has been a director since November 2007. Mr. Ganske is the Partner-in-Charge of the Midwest Region of Jones Day. He is an advisor to significant companies, focusing primarily on M&A, takeovers, takeover preparedness, corporate governance, executive compensation, and general corporate counseling. Mr. Ganske has experience in transactions involving regulated industries, including telecom and energy. Mr. Ganske received his J.D. from Ohio State University and his B.S.B.A. at Bowling Green State University. He currently serves on the boards of the Greater Cleveland Partnership, Rock and Roll Hall of Fame and Museum, and Flashes of Hope. Mr. Ganske is the former chair of Business Volunteers Unlimited and the Commission on Economic Inclusion. He is a member of the Executive Committee of Resilience Capital, a private equity firm. In addition to his substantial legal skills and expertise, Mr. Ganske brings to the Company's Board well-developed business and financial acumen critical to a dynamic public company.

*Michael S. Lipscomb*, 67, has been a director since November 2007. Mr. Lipscomb has served as CEO of SIFCO Inc., a NYSE company in the aerospace business since 2010. In this role, Mr. Lipscomb has led SIFCO through three acquisitions and a divestiture resulting in compounded annual sales and EBITDA growth of 6.5% and 22%, respectively. Mr. Lipscomb also serves as CEO/principal of Aviation Component Solutions, a privately held company in the aerospace/aftermarket business and as CEO/principal of JC Carter Nozzles, a privately held supplier of refueling nozzles to the LNG market. Mr. Lipscomb also serves as a Board member of both Integrity Organics, a Green company in the waste reclamation business, and The Ruhlin Company, an integrated ESOP-owned construction company. Previously, Mr. Lipscomb was the Chairman and CEO of Argo-Tech, a leading supplier to the aerospace industry, where he led the company through five bank refinances, four high yield bond offerings, and successfully managed the sale of the company to Eaton Corporation in March of 2007. During his career, Mr. Lipscomb served as a co-founder of Argo-Tech, as a Managing Director at TRW, and in various operational and engineering management roles at the Utica Tool Company. Mr. Lipscomb received his MBA from Clemson Furman University and his B.S. from Clemson University and previously served on the boards of Argo-Tech, MAMCO Enterprises, Ruhlin Construction Company, Duradyne, and SIFCO (Audit Committee Chair 2002-2006). Mr. Lipscomb brings to the Company's Board a depth of global industrial operating experience and knowledge of organizational management essential to a public manufacturing company.

*Larry McPherson*, 68, has been a director since January 2005. Prior to joining the Board, Mr. McPherson was a Director of NSK Ltd. from 1997 until his retirement in 2004 and served as Chairman and CEO of NSK Europe from January 2002 to December 2003. In total he was employed by NSK Ltd. for 22 years during which time he was responsible for the major expansion of manufacturing operations in the U.S. and the reorganization and consolidation of European operations. Mr. McPherson served as Chairman and CEO of NSK Americas for the six years prior to his European assignment. Mr. McPherson serves as a board member of McNaughton and Gunn, Inc., a privately owned printing company. Mr. McPherson earned his MBA from Georgia State and his undergraduate degree in Electrical Engineering from Clemson University. Mr. McPherson contributes to the Company's Board significant organizational and operational management skills combined with a wealth of experience in global manufacturing businesses.

*Thomas W. Swidarski*, 55, has been nominated to serve as a director effective as of the date of the Company's 2014 Annual Meeting. Mr. Swidarski previously served as the Chief Executive Officer and President of Diebold, Incorporated, a \$3 billion global leader in designing, manufacturing and distributing self service technologies (ATMs) in over 100 countries, from October 12, 2005 to January 19, 2013. Mr. Swidarski served as Senior Vice President of Financial Self-Service Group of Diebold, Incorporated, from 2001 to September 2005 and served as its Chief operating officer from October 12, 2005 to December 2005. Mr. Swidarski also held various strategic development and marketing positions at Diebold since 1996. Prior to Diebold, he held various positions within the financial industry for nearly 20 years focusing on marketing, product management, retail bank profitability, branding and retail distribution. Mr. Swidarski served as a Director of Diebold, Incorporated from December 12, 2005 to January 8, 2013. He holds a BA in marketing from the University of Dayton and an MBA in business management from Cleveland State University. Having served as CEO of a global provider of technology and services to a wide range of businesses, Mr. Swidarski would bring the Company's Board valuable insight into organizational management, global business, financial matters and marketing matters.

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*James H. Woodward, Jr.*, 61, has been a director since March 2007. From March 2009 to October 2011, Mr. Woodward served as Senior Vice President and Chief Financial Officer of Accuride Corporation. Previously, Mr. Woodward served as Executive Vice President and Chief Financial Officer and Treasurer of Joy Global Inc. from January 2007 until February 2008. Prior to joining Joy Global Inc., Mr. Woodward was Executive Vice President and Chief Financial Officer of JLG Industries, Inc. from August 2000 until its sale in December 2006. Prior to JLG Industries, Inc., Mr. Woodward held various financial and operational positions at Dana Corporation since 1982. Mr. Woodward is a Certified Public Accountant and holds a B.A. degree in Accounting from Michigan State University. Mr. Woodward's depth and breadth of exposure to complex issues from his long and distinguished career in the manufacturing industry make him a skilled advisor who provides critical insight into organizational and operational management, global business and financial matters.



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**BOARD OF DIRECTORS**

**Board of Directors Composition**

Our bylaws provide that the size of the Board of Directors shall be determined from time to time by our Board of Directors. Our Board of Directors currently consists of seven members. Each of our executive officers and directors, other than non-employee directors, devotes his or her full time to our affairs. Our non-employee directors devote the amount of time to our affairs as necessary to discharge their duties. Edmund M. Carpenter, Lyle G. Ganske, Michael S. Lipscomb, and Larry McPherson are each independent within the meaning of the Marketplace Rules of the NASDAQ Global Market (the "NASDAQ Rules") and the federal securities laws and collectively constitute a majority of our Board of Directors. In addition, director nominee Thomas W. Swidarski is also independent within the meaning of the NASDAQ Rules and federal securities laws.

**Committees of the Board of Directors**

Pursuant to our bylaws, our Board of Directors is permitted to establish committees from time to time as it deems appropriate. To facilitate independent director review and to make the most effective use of our directors' time and capabilities, our Board of Directors has established the following committees: the Audit Committee, the Personnel and Compensation Committee and the Nominating and Corporate Governance Committee. The charter of each of the committees discussed below is available on our website at [ir.altramotion.com/governance.cfm](http://ir.altramotion.com/governance.cfm). Printed copies of these charters may be obtained, without charge, by contacting the Corporate Secretary, Altra Industrial Motion Corp., 300 Granite Street, Suite 201, Braintree, Massachusetts 02184, telephone (781) 917-0600. The membership and function of each committee are described below.

***Audit Committee***

The primary purpose of the Audit Committee is to assist the Board's oversight of:

the integrity of our financial statements and reporting;

our independent auditors' qualifications, independence and performance;

our internal controls and risk management;

our compliance with legal and regulatory requirements;

the performance of internal audit function;

the preparation of all reports and disclosure required or appropriate including the disclosure required by Item 407(d)(3)(i) of Regulation S-K; and

legal, ethical and regulatory compliance including application of our Code of Business Conduct and Ethics.

The Audit Committee was established in accordance with Section 3(a)(58)(A) of the Exchange Act and currently consists of Messrs. Ganske, Carpenter and Lipscomb. Mr. Ganske serves as chairman of our Audit Committee. Mr. Carpenter, Mr. Lipscomb and Mr. Ganske qualify as independent audit committee financial experts as such term has been defined by the SEC in Item 407 of Regulation S-K. We believe that the composition of our audit committee meets the criteria for independence under, and the functioning of our audit committee complies with the applicable requirements of, the NASDAQ Rules and federal securities law.

*Personnel and Compensation Committee*

The primary purpose of our Personnel and Compensation Committee (the Compensation Committee ) is to establish and review our overall compensation philosophy and policy, to establish and review our director compensation philosophy and policy, and to review and approve corporate goals and objectives relevant to compensation of the Company's executive officers. In addition, the Compensation Committee oversees our employee benefit plans and practices and produces a report on executive compensation as required by SEC rules. The Compensation Committee may form, and delegate any of its responsibilities to, a subcommittee so long as such subcommittee is solely comprised of one or more members of the Compensation Committee.

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The Compensation Committee has the authority, pursuant to its charter, to retain outside counsel, compensation consultants or other advisors to assist it in carrying out its activities. The Compensation Committee retains Frederic W. Cook & Co., Inc. ( Cook & Co. ), as the Compensation Committee’s independent compensation consultant.

Messrs. Carpenter, McPherson and Lipscomb serve on the Compensation Committee, each of whom is a non-employee member of our Board of Directors and independent within the meaning of the NASDAQ Rules. Mr. Carpenter serves as chairman of the Compensation Committee. We believe that the composition of our Compensation Committee meets the criteria for independence under, and the functioning of our Compensation Committee complies with the applicable requirements of, the NASDAQ Rules.

***Compensation Policies and Practices Regarding Risk Taking***

The Company has considered its compensation policies and practices for its employees and concluded that the policies and practices do not give rise to risks that are reasonably likely to have a material adverse effect on the Company. This conclusion was based on the assessment performed by the Company’s management and was reviewed by the Compensation Committee of the Company’s Board of Directors.

***Nominating and Corporate Governance Committee***

The primary purpose of the Nominating and Corporate Governance Committee is to:

identify and recommend to the Board individuals qualified to serve as directors of our company and on committees of the Board;

advise the Board with respect to Board composition, procedures and committees;

develop and recommend to the Board a set of corporate governance principles and guidelines applicable to us; and

oversee the evaluation of the Board and our management.

Messrs. McPherson, Ganske and Lipscomb serve on the Nominating and Corporate Governance Committee, each of whom is a non-employee member of our Board of Directors and independent within the meaning of the NASDAQ Rules. Mr. McPherson serves as chairman of the Nominating and Corporate Governance Committee. We believe that the composition of our Nominating and Corporate Governance Committee meets the criteria for independence under, and the functioning of our Nominating and Corporate Governance Committee complies with the applicable requirements of, the NASDAQ Rules. Please see the section entitled Corporate Governance herein for further discussion of the roles and responsibilities of the Nominating and Corporate Governance Committee.

**Board, Committee and Annual Meeting Attendance**

For the fiscal year ended December 31, 2013, the Board and its Committees held the following aggregate number of regular and special meetings:

Board	4
Audit Committee	5
Personnel and Compensation Committee	2
Nominating and Corporate Governance Committee	2

Each of our directors attended 75% or more of the aggregate number of the meetings of the Board and of the Committees on which he served during the year.

The independent members of the Board, and each of the three standing committees of the Board, met in independent director sessions without the Executive Chairman, Chief Executive Officer or members of management present at least three times during 2013.



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The Board has adopted a policy pursuant to which directors are expected to attend the Annual Meeting of Stockholders in the absence of a scheduling conflict or other valid reason. All seven of our directors serving at such time attended the 2013 Annual Meeting of Stockholders in person.

### **Board Leadership Structure and Board Oversight of Risk Management**

Pursuant to our bylaws, our Board of Directors determines the best board leadership structure for the Company from time to time by appointing the Chairman of the Board. As part of our annual board self-evaluation process, the Board evaluates our leadership structure to ensure that it provides the optimal structure for the Company and stockholders. While we recognize that different board leadership structures may be appropriate for companies in different situations, we believe our current leadership structure, with Mr. Christenson serving as CEO and Mr. Hurt as Executive Chairman, has been the optimal structure for the Company for the past several years. The Board of Directors will appoint a new Chairman following Mr. Hurt's retirement effective as of the date of our 2014 Annual Meeting of Stockholders.

We provide for independent Board leadership by the appointment of a Lead Director. Lyle Ganske, who has served on the Board since 2007, currently serves as the Lead Director. The Board believes that a Lead Director improves the Board's overall performance by improving the efficiency of the Board's oversight and governance responsibilities and by enhancing the relationship between the Chief Executive Officer and the independent directors. The Lead Director acts as an intermediary between the Board and senior management. Among other things, the Lead Director is responsible, along with the Chairman, for facilitating communication among Directors and between the Board and the Chief Executive Officer, for working with the Chief Executive Officer and the Board to set the agenda for Board meetings, and for working with the Chief Executive Officer to provide an appropriate information flow to the Board. The Lead Director is also responsible for presiding over and setting the agenda for executive sessions of the Board and independent director meetings. The Lead Director and the Chairman are expected to foster a cohesive Board that cooperates with the Chief Executive Officer towards the ultimate goal of creating shareholder value.

Our Board of Directors currently has five members (four of which are independent) in addition to the Executive Chairman and the CEO. As noted above, our Executive Chairman will retire effective as of the date of our 2014 Annual Meeting of Stockholders and the nominee to fill the resulting director vacancy on our Board of Directors is also independent. A number of the members of our Board of Directors are currently serving or have served as members of senior management of other public companies and have served as directors of other public companies. We have three board committees comprised solely of independent directors. We believe that the number of independent, experienced directors that make up our Board of Directors, along with the oversight of the Board of Directors by the Executive Chairman and Lead Director, provides our management with appropriate oversight, leadership and guidance. In addition, our non-employee directors meet in executive session, led by our Lead Director, without management present as frequently as they deem appropriate, typically at the time of each regular board meeting.

Our Board is responsible for overseeing our risk management. The Board's role in the Company's risk oversight process includes receiving regular reports from members of senior management on areas of material risk to the Company, including operational, financial, legal and regulatory, and strategic and reputational risks. The full Board (or the appropriate committee in the case of risks that are under the purview of a particular committee) receives these reports from the appropriate person within the Company to enable the Board to understand our risk identification, risk management and risk mitigation strategies. When a committee receives the report, the chairman of the relevant committee reports on the discussion to the full Board during the committee reports portion of the next Board meeting. This enables the Board and its Committees to coordinate the risk oversight role, particularly with respect to risk interrelationships. The Audit Committee also discusses guidelines and policies to govern the process by which risk management is handled. The Audit Committee discusses the Company's major risk exposures and the steps management has taken to monitor and control such exposures. The Board believes that the work undertaken by the full Board, together with the work undertaken by the Audit Committee and the other committees, enables the Board to effectively oversee the Company's risk management function.

**Table of Contents****Director Compensation**

In 2011, the Compensation Committee engaged the services of Cook & Co., an independent compensation consultant, to review the design and competitiveness of the Company's non-employee director compensation program. Cook & Co.'s review found that the Company's non-employee director compensation practices were generally consistent with peer group policies and emerging trends.

***Standard Board Fees***

Our non-employee directors receive the following standard cash compensation:

Annual Retainer Fee: \$60,000 (payable in equal quarterly installments);

Chairman of the Audit Committee: \$8,000;

Chairman of the Compensation Committee: \$5,000; and

Chairman of the Nominating and Corporate Governance Committee: \$5,000.

Directors may elect to receive, in lieu of their regular cash compensation as outlined above, an amount of shares of Company stock equal in value to the cash compensation that otherwise would be paid at the time such cash compensation would otherwise have been payable.

In addition, each of the non-employee directors will receive an annual grant of restricted stock with a value equal to \$60,000 on the date of grant. Such grants generally vest immediately on the initial date of grant.

All members of our Board of Directors are reimbursed for their usual and customary expenses incurred in connection with attending all Board and other committee meetings.

The following table sets forth information concerning compensation paid to our non-employee directors during the fiscal year ended December 31, 2013.

**Non-Employee Director Compensation Table**

Name	Fees Earned	Stock	Non-Equity	All Other	Total (\$)
	or Paid in Cash (\$)	Awards (\$)(1)	Plan Compensation (\$)	Compensation (\$)	
<b>Edmund M. Carpenter</b>	65,000	60,000			125,000
<b>Lyle G. Ganske</b>	68,000(2)	60,000			128,000
<b>Michael S. Lipscomb</b>	60,000	60,000			120,000
<b>Larry McPherson</b>	65,000	60,000			125,000
<b>James H. Woodward Jr.</b>	60,000(3)	60,000			120,000

- (1) These amounts reflect the aggregate grant date fair value of restricted stock awards granted in fiscal year 2013 in accordance with FASB ASC Topic 718. For additional information on the valuation assumptions regarding the restricted stock awards, refer to Note 10 to our financial statements for the year ended December 31, 2013, which are included in our Annual Report on Form 10-K for the year ended December 31, 2013 filed with the SEC.

- (2) Effective beginning in the fourth quarter of 2012, Mr. Ganske has elected to receive, in lieu of his regular cash compensation, an amount of shares of Company stock equal in value to the cash compensation that otherwise would be paid at the time such cash compensation would otherwise have been payable. As a result, Mr. Ganske's total cash retainer for 2013 was paid in shares of Company stock.
  
- (3) Effective beginning in the second quarter of 2013, Mr. Woodward has elected to receive, in lieu of his regular cash compensation, an amount of shares of Company stock equal in value to the cash compensation that otherwise would be paid at the time such cash compensation would otherwise have been payable. As a result, for 2013, \$15,000 of Mr. Woodward's retainer was paid in cash and the remaining \$45,000 was paid in shares of Company stock.

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### **Stock Ownership Guidelines**

In accordance with the recommendation of Cook & Co., on February 13, 2012, our Board of Directors established stock ownership guidelines applicable to the Company's non-employee directors pursuant to which each non-employee director should retain the value of Company stock equivalent to three (3) times his annual cash retainer. All of the Company's non-employee directors have a five (5) year period to accumulate these specific values.

The following categories satisfy a participant's ownership guidelines: (i) shares of common stock owned directly; (ii) shares of common stock owned indirectly (e.g., by a spouse or a trust); (iii) shares of common stock represented by amounts invested in a 401(k) plan or deferred compensation plan maintained by the Company or an affiliate; and (iv) restricted stock (vested and unvested), earned performance shares (vested and unvested), restricted stock units (vested and unvested), or phantom stock. Unexercised options, unearned performance shares, and pledged shares are not counted toward meeting the guidelines.

The Company's Board of Directors has the discretion to enforce the stock ownership guidelines on a case-by-case basis. Violations of the Company's stock ownership guidelines may, without limitation and in the Board's discretion, result in the participant not receiving future grants of long-term incentive plan awards or annual equity retainer or result in the participant being required to retain all or a portion of future grants of long-term incentive plan awards or annual equity retainers until compliance is achieved.

### **Compensation Committee Interlocks and Insider Participation.**

During our last completed fiscal year, no member of the Compensation Committee was an employee, officer or former officer of Altra. None of our executive officers served on the board of directors or compensation committee of any entity in 2013 that had an executive officer serving as a member of our Board or Compensation Committee.

### **Certain Relationships and Related Transactions**

#### ***Transactions with Directors and Management***

Under our Code of Business Conduct and Ethics, all transactions involving a conflict of interest, including holding a financial interest in a significant supplier, customer or competitor of the Company, are generally prohibited. However, holding a financial interest of less than 2% in a publicly held company and other limited circumstances are excluded transactions. Our directors and officers are prohibited from using his or her position to influence the Company's decision relating to a transaction with a significant supplier, customer or competitor to which he or she is affiliated. Our Audit Committee Charter provides that the Audit Committee shall review, discuss and approve any transactions or courses of dealing with related parties that are significant in size or involve terms or other aspects that differ from those that would likely be negotiated with independent parties.

#### ***Indemnification Agreements***

We have entered into indemnification agreements with each of our directors and executive officers. We believe that these agreements are necessary to attract and retain qualified persons as directors and executive officers. These agreements require us to indemnify these individuals to the fullest extent permitted under Delaware law against liabilities that may arise by reason of their service to us, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified. We also intend to enter into indemnification agreements with our future directors and executive officers.

### **Corporate Governance**

#### ***The Nominating and Corporate Governance Committee's Role and Responsibilities***

Primary responsibility for Altra's corporate governance practices rests with the Nominating and Corporate Governance Committee (the Governance Committee). The Governance Committee is responsible for, among other things, (i) overseeing the Company's policies and procedures for the Board's nomination of persons to



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stand for election to serve on the Board of Directors by stockholders and consideration of any stockholder nominations of persons to stand for election to the Board of Directors; (ii) identifying, screening and reviewing individuals qualified to serve as directors and recommending candidates for nomination for election or to fill vacancies; (iii) reviewing annually the composition and size of the Board; (iv) aiding the Board and its committees in their annual self-evaluations; (v) developing, recommending and overseeing implementation of the Company's corporate governance guidelines and principles; (vi) reviewing, monitoring and addressing conflicts of interest of directors and executive officers; and (vii) reviewing on a regular basis the overall corporate governance of the Company and recommending improvements when necessary. Described below are some of the significant corporate governance practices that have been instituted by the Board of Directors at the recommendation of the Governance Committee.

### ***Director Independence***

The Governance Committee annually reviews the independence of all directors and reports its findings to the full Board. The Governance Committee has determined that the following director nominees are independent within the meaning of the NASDAQ Rules and relevant federal securities laws and regulations: Edmund M. Carpenter, Lyle G. Ganske, Michael S. Lipscomb, Larry McPherson and Thomas W. Swidarski.

### ***Board Evaluation***

The Board of Directors has adopted a policy whereby the Governance Committee will assist the Board and its committees in evaluating their performance and effectiveness on an annual basis. As part of this evaluation, the Governance Committee assesses the progress in the areas targeted for improvement during previous evaluations, and develops recommendations to enhance the respective Board or committee effectiveness over the next year.

### ***Director Nomination Process***

The Governance Committee reviews the skills, characteristics and experience of potential candidates for election to the Board of Directors and recommends nominees for director to the full Board for approval. In addition the Governance Committee assesses the overall composition of the Board of Directors, including factors such as size, composition, diversity, skills, significant experience and time commitment to Altra.

It is the Governance Committee's policy to utilize a variety of means to identify prospective nominees for the Board, and it considers referrals from other Board members, management, stockholders and other external sources such as retained executive search firms. The Governance Committee utilizes the same criteria for evaluating candidates irrespective of their source.

The Governance Committee believes that any nominee must meet the following minimum qualifications:

Candidates should be persons of high integrity who possess independence, forthrightness, inquisitiveness, good judgment and strong analytical skills.

Candidates should demonstrate a commitment to devote the time required for Board duties including, but not limited to, attendance at meetings.

Candidates should possess a team-oriented ethic consistent with Altra's core values, and be committed to the interests of all stockholders as opposed to those of any particular constituency.

The Governance Committee seeks nominees with a broad diversity of experience, professions, skills, geographic representation and backgrounds. Accordingly, when considering director candidates, the Governance Committee will seek individuals with backgrounds and qualities that, when combined with those of Altra's other directors, provide a blend of skills and experience that will further enhance the Board's effectiveness. The Committee does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective nominees. Nominees are not discriminated against on the basis of race, religion, national origin, sexual orientation, disability or any other basis proscribed by law.



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To recommend a candidate for consideration, a stockholder should submit a written statement of the qualifications of the proposed nominee, including full name and address, to the Nominating and Corporate Governance Committee Chairman, c/o Altra Industrial Motion Corp., 300 Granite Street, Suite 201, Braintree, Massachusetts 02184.

### ***Corporate Governance Guidelines***

The Governance Committee has developed and recommended the Company's Statement of Governance Principles, Policies and Procedures (the Governance Principles ) which has been approved by our full Board. Altra's Governance Principles are available on the Company's website at <http://ir.altramotion.com/governance.cfm>.

### ***Majority Voting Policy in Uncontested Director Elections***

Our Board has adopted a majority voting policy in uncontested director elections which is set forth in Altra's Governance Principles. Under the policy, any nominee for Director who receives a greater number of votes withheld from his or her election than votes for his or her election (a Majority Withheld Vote ) in an election of Directors that is not a contested election is expected to tender his or her resignation as a Director to the Board promptly following the certification of the election results. The Governance Committee will consider each resignation tendered under the policy and recommend to the Board whether to accept or reject it. The Board will act on each tendered resignation, taking into account the Governance Committee's recommendation, within 90 days following the certification of the election results.

### ***Business Conduct and Compliance***

Altra maintains a Code of Business Conduct and Ethics (the Code of Ethics ) that is applicable to all directors, officers and employees of the Company. It sets forth Altra's policies and expectations on a number of topics, including conflicts of interest, protection and proper use of company assets, relationships with customers and vendors (business ethics), accounting practices, and compliance with laws, rules and regulations. A copy of the Code of Ethics is available on the Company's website at <http://ir.altramotion.com/governance.cfm>. Individuals can report suspected violations of the Altra Industrial Motion Corp. Code of Ethics anonymously by contacting the Altra Compliance and Ethics Hotline at (800) 826-6762.

Altra also maintains policies regarding insider trading and communications with the public (the Insider Trading Policy ) and procedures for the Audit Committee regarding complaints about accounting matters (the Whistleblower Policy ). The Insider Trading Policy sets forth the Company's limitations regarding trading in Company securities and the handling of non-public material information. The policy is applicable to directors, officers and employees of Altra and is designed to help ensure compliance with federal securities laws. The Insider Trading Policy prohibits the pledging of shares effective as of February 12, 2013, but this prohibition does not apply to pledges of the Company's securities in effect prior to February 12, 2013. The Insider Trading Policy does require, however, that existing pledges be minimized and terminated as soon as practicable. The Whistleblower Policy was established to set forth the Audit Committee's procedures to receive, retain, investigate and act on complaints and concerns of employees and stockholders regarding accounting, internal accounting controls and auditing matters, including complaints regarding attempted or actual circumvention of internal accounting controls. Accounting complaints may be made directly to the Chairman of the Audit Committee in writing as follows: Audit Committee Chairman, c/o Altra Industrial Motion Corp., 300 Granite Street, Suite 201, Braintree, Massachusetts 02184. A copy of the Audit Committee's Whistleblower Policy and procedures may be requested from the Corporate Secretary, Altra Industrial Motion Corp., 300 Granite Street, Suite 201, Braintree, Massachusetts 02184.

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***Succession Planning***

The Board of Directors recognizes that a sudden or unexpected change in leadership could cause the Company to experience management transition issues that could adversely affect the Company's operations, relations with employees and results. In 2008, the Governance Committee implemented a succession plan for the departure of Mr. Hurt as our Chief Executive Officer and the appointment of Mr. Christenson to that position. The Governance Committee is in the process of developing a new succession plan for the Chief Executive Officer position.

**Communication with Directors**

Stockholders or other interested parties wishing to communicate with the Board, the non-employee directors, or any individual director may do so by contacting the Lead Director of the Board by mail, addressed to Lead Director, c/o Altra Industrial Motion Corp., 300 Granite Street, Suite 201, Braintree, Massachusetts 02184.

All communications to the Board will remain unopened and be promptly forwarded to the Lead Director, who shall in turn forward them promptly to the appropriate director(s). Such items as are unrelated to a director's duties and responsibilities as a Board member may be excluded from this policy by the Lead Director, including, without limitation, solicitations and advertisements; junk mail; product-related communications; job referral materials such as resumes; surveys; and material that is determined to be illegal or otherwise inappropriate. Before being discarded, the director(s) to whom such information is addressed is generally informed that the information has been removed, and that it will be made available to such director(s) upon request.

**Table of Contents****OUR EXECUTIVE OFFICERS**

The following table sets forth names, ages and positions of the persons who are our executive officers as of March 11, 2014:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Michael L. Hurt	68	Executive Chairman and Chairman of the Board
Carl R. Christenson	54	President and Chief Executive Officer
Christian Storch	54	Vice President and Chief Financial Officer
Glenn E. Deegan	47	Vice President, Legal and Human Resources, General Counsel and Secretary
Gerald P. Ferris	64	Vice President of Global Sales
Todd B. Patriacca	44	Vice President of Finance, Corporate Controller and Treasurer
Craig Schuele	50	Vice President of Marketing and Business Development

*Michael L. Hurt, P.E.*, 68, has been our Executive Chairman since January 2009. Prior to his current position, Mr. Hurt served as Chief Executive Officer and a director since our formation in 2004. In November 2006, Mr. Hurt was elected as Chairman of our Board. During 2004, prior to our formation, Mr. Hurt provided consulting services to Genstar Capital and was appointed Chairman and Chief Executive Officer of Kilian in October 2004. From January 1991 to November 2003, Mr. Hurt was the President and Chief Executive Officer of TB Woods Incorporated, a manufacturer of industrial power transmission products. Prior to TB Woods, Mr. Hurt spent 23 years in a variety of management positions at the Torrington Company, a major manufacturer of bearings and a subsidiary of Ingersoll Rand. Mr. Hurt currently serves as Chairman and a director of Helix Acquisition Holdings, Inc., a manufacturer and marketer of springs and fasteners, as Chairman of the Board of MW Industries, and as a member of the Strategic Advisory Board of Genstar Capital. Mr. Hurt holds a B.S. degree in Mechanical Engineering from Clemson University and an M.B.A. from Clemson-Furman University.

*Carl R. Christenson*, 54, has been our Chief Executive Officer since January 2009 and director since July 2007. Prior to his current position, Mr. Christenson served as our President and Chief Operating Officer from January 2005 to December 2008. From 2001 to 2005, Mr. Christenson was the President of Kaydon Bearings, a manufacturer of custom-engineered bearings and a division of Kaydon Corporation. Prior to joining Kaydon, Mr. Christenson held a number of management positions at TB Woods Incorporated and several positions at the Torrington Company. Mr. Christenson has served as a director at OM Group, Inc., a NYSE listed technology-driven diversified industrial company, since 2013. Mr. Christenson holds a M.S. and B.S. degree in Mechanical Engineering from the University of Massachusetts and an M.B.A. from Rensselaer Polytechnic.

*Christian Storch*, 54, has been our Chief Financial Officer since December 2007. From 2001 to 2007, Mr. Storch was the Vice President and Chief Financial Officer at Standex International Corporation. Mr. Storch also served on the Board of Directors of Standex International from October 2004 to December 2007. Mr. Storch also served as Standex International's Treasurer from 2003 to April 2006 and Manager of Corporate Audit and Assurance Services from July 1999 to 2003. Prior to Standex International, Mr. Storch was a Divisional Financial Director and Corporate Controller at Vossloh AG, a publicly held German transport technology company. Mr. Storch has also previously served as an Audit Manager with Deloitte & Touche, LLP. Mr. Storch holds a degree in business administration from the University of Passau, Germany.

*Glenn E. Deegan*, 47, has been our Vice President, Legal and Human Resources, General Counsel and Secretary since June 2009. Prior to his current position, Mr. Deegan served as our General Counsel and Secretary since September 2008. From March 2007 to August 2008, Mr. Deegan served as Vice President, General Counsel and Secretary of Averion International Corp., a publicly held global provider of clinical research services. Prior to Averion, from June 2001 to March 2007, Mr. Deegan served as Director of Legal Affairs and then as Vice

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President, General Counsel and Secretary of MacroChem Corporation, a publicly held specialty pharmaceutical company. From 1999 to 2001, Mr. Deegan served as Assistant General Counsel of Summit Technology, Inc., a publicly held manufacturer of ophthalmic laser systems. Mr. Deegan previously spent over six years engaged in the private practice of law and also served as law clerk to the Honorable Francis J. Boyle in the United States District Court for the District of Rhode Island. Mr. Deegan holds a B.S. from Providence College and a J.D. from Boston College.

*Gerald P. Ferris*, 64, has been our Vice President of Global Sales since May 2007 and held the same position with Power Transmission Holdings, LLC, our Predecessor, since March 2002. He is responsible for the worldwide sales of our broad product platform. Mr. Ferris joined our Predecessor in 1978 and since joining has held various positions. He became the Vice President of Sales for Boston Gear in 1991. Mr. Ferris holds a B.A. degree in Political Science from Stonehill College.

*Todd B. Patriacca*, 44, has been our Vice President of Finance, Corporate Controller and Treasurer since February 2010. Prior to his current position, Mr. Patriacca served as our Vice President of Finance, Corporate Controller and Assistant Treasurer since October 2008 and previous to that, as Vice President of Finance and Corporate Controller since May 2007 and as Corporate Controller since May 2005. Prior to joining us, Mr. Patriacca was Corporate Finance Manager at MKS Instrument Inc., a semi-conductor equipment manufacturer since March 2002. Prior to MKS, Mr. Patriacca spent over ten years at Arthur Andersen LLP in the Assurance Advisory practice. Mr. Patriacca is a Certified Public Accountant and holds a B.A. in History from Colby College and an M.B.A. and an M.S. in Accounting from Northeastern University.

*Craig Schuele*, 50, has been our Vice President of Marketing and Business Development since May 2007 and held the same position with our Predecessor since July 2004. Prior to his current position, Mr. Schuele has been Vice President of Marketing since March 2002, and previous to that he was a Director of Marketing. Mr. Schuele joined our Predecessor in 1986 and holds a B.S. degree in Management from Rhode Island College.

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### **COMPENSATION DISCUSSION AND ANALYSIS**

The following discussion provides an overview and analysis of our compensation programs and policies and the major factors that shape the creation and implementation of those policies. In this discussion and analysis, and in the more detailed tables and narrative that follow, we will discuss compensation and compensation decisions for fiscal 2013 relating to the following persons, whom we refer to as our named executive officers:

Carl R. Christenson, President and Chief Executive Officer;

Christian Storch, Chief Financial Officer;

Gerald P. Ferris, Vice President of Global Sales;

Glenn E. Deegan, Vice President, Legal and Human Resources, General Counsel and Secretary; and

Craig Schuele, Vice President of Marketing and Business Development.

#### **Personnel and Compensation Committee**

The Compensation Committee of the Board of Directors, as further discussed in this Proxy Statement under the caption "Committees of the Board of Directors," has responsibility for establishing, implementing and monitoring adherence with the Company's compensation program. The role of the Compensation Committee is to oversee, on behalf of the Board and for the benefit of the Company and its stockholders, the Company's compensation and benefit plans and policies, to review and approve equity grants to directors and executive officers and to determine and approve annually all compensation relating to the CEO and the other executive officers of the Company. The Compensation Committee utilizes the Company's Human Resources Department and reviews data from market surveys and proxy statements to assess the Company's competitive position with respect to base salary, annual incentives and long-term incentive compensation. The Compensation Committee has the authority to engage the services of independent compensation consultants and engaged The Hay Group in 2007 and Frederic W. Cook & Co., Inc. (Cook & Co.) in 2011 to conduct reviews of the competitiveness of the Company's executive and non-employee director compensation programs. The Compensation Committee meets a minimum of two times annually to review executive compensation programs, determine compensation levels and performance targets, review management performance, and approve final executive bonus distributions.

#### **Objectives of Our Compensation Programs**

We believe that compensation paid to executive officers should be closely aligned with the performance of the Company on both a short-term and long-term basis, and that such compensation should assist the Company in attracting and retaining key executives critical to the Company's success. To this end, our compensation program for executive officers is structured to achieve the following objectives:

##### ***Recruiting and Retention of Talented Professionals***

We believe that it is primarily the dedication, creativity, competence and experience of our workforce that enables us to compete, given the realities of the industry in which we operate. We aim to compensate our executives at competitive levels in order to attract and retain highly qualified professionals critical to our success. There are many important factors in attracting and retaining qualified individuals. Compensation is one of them but not the only one.

##### ***Alignment of Individual and Short-Term and Long-Term Organizational Goals***

We seek to align the short-term interests of our executives with those of our stockholders by structuring a significant portion of executive compensation as a performance-based bonus. In particular, the level of cash incentive compensation is determined by the use of annual performance targets, which we believe encourages superior short-term performance and operating results for the organization.

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We strive to align the long-term interests of our executives with those of our stockholders and foster an ownership mentality in our executives by giving them a meaningful stake in our success through our equity incentive programs. Our equity compensation program for executives is designed to link the long-term compensation levels of our executives to the creation of lasting stockholder value.

### ***Rewarding Meaningful Results***

We believe that compensation should be structured to encourage and reward performance that leads to meaningful results for the Company. Both our cash and equity incentive compensation programs are tied primarily to each executive's contribution to sales and earnings growth and working capital management of Altra. Our strategy is to compensate our executives at competitive levels, with the opportunity to earn above-median compensation for above-market performance as compared to our peer group, through programs that emphasize performance-based incentive compensation in the form of annual cash payments and equity-based awards.

### **Elements of Compensation**

Total compensation for our executive officers consists of the following elements of pay:

Base salary;

Annual cash incentive bonus dependent on our financial performance and achievement of individual objectives;

Long-term incentive compensation through grants of equity-based awards, which have traditionally been in the form of restricted stock and performance share awards;

Participation in retirement benefits through a 401(k) Savings Plan;

Severance benefits payable upon termination under specified circumstances to our key executive officers;

Medical and dental benefits that are available to substantially all our employees. We share the expense of such health benefits with our employees, with the cost depending on the level of benefits coverage an employee elects to receive. Our health plan offerings are the same for our executive officers and our other non-executive employees; and

Our named executive officers are provided with the same short-term and long-term disability insurance benefits as our other salaried employees. Additionally, our named executive officers are provided with life insurance and supplemental long-term disability benefits that are not available to all salaried employees.

### **What We Reward, Why We Pay Each Element of Compensation and How Each Element Relates to Our Compensation Objectives**

Base salary, as well as other benefits such as 401(k) participation, severance, health care and life and disability insurance, are intended to provide a level of income and benefits commensurate with the executive's position, responsibilities and contributions to the Company. We believe the combined value of base salary, annual cash incentives and other fringe benefits should be competitive with the salary, bonus and general benefits provided to similarly situated executives in the industry.

We compensate our executives through programs that emphasize performance-based incentive compensation. We have structured annual cash and long-term non-cash compensation to motivate executives to achieve the business goals set by us and reward the executives for achieving such goals.



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Through our annual cash bonus program, we attempt to tailor performance goals to each individual executive officer and to our current priorities and needs. Through our long-term, non-cash incentive compensation, we attempt to align the interests of our executive officers with those of our stockholders by rewarding our executives based on increases in our stock price over time through awards of restricted stock and performance shares.

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**How We Determine the Amounts We Pay**

The Compensation Committee utilizes the Company's Human Resources Department and reviews data from market surveys and proxy statements to assess the Company's competitive position with respect to base salary, annual incentives and long-term incentive compensation. The Compensation Committee has the authority to engage the services of independent compensation consultants and engaged the Hay Group in 2007 and Cook & Co. in 2011 to assist the Compensation Committee in identifying comparable companies for benchmarking purposes (our compensation peer group) and to conduct reviews of the competitiveness of the Company's executive and non-employee director compensation programs.

With the assistance of Cook & Co., the Compensation Committee has established our compensation peer group which is comprised of the following companies:

Actuant Corporation	CLARCOR Inc.	ESCO Technologies, Inc.	L.B. Foster Company
Blount International, Inc.	Colfax Corporation	The Gorman-Rupp Company	NN, Inc.
Chart Industries, Inc.	Columbus McKinnon Corp.	JBT Corporation	RBC Bearings Incorporated
Circor International, Inc.	EnPro Industries, Inc.	Kaydon Corporation	Robbins & Myers, Inc.

We believe that our compensation peer group is representative of the market in which we compete for talent. The size of the group has been established so as to provide sufficient benchmarking data across the range of senior positions in our Company. Our compensation peer group companies were chosen because they are similar to Altra in terms of size, industry and business mix. We believe the quality of these organizations will allow Altra to maintain a high level of continuity in the peer group, providing a consistent measure for benchmarking compensation.

The Compensation Committee received Cook & Co.'s report during early 2012 (the Cook & Co. Report), which indicated that certain of the Company's executive officers received base salary compensation below median levels for the Company's compensation peer group. Cook & Co. recommended that the Compensation Committee consider increasing certain executive officer base salaries to more closely reflect market median levels as part of the Company's annual salary review process. The Cook & Co. Report also indicated that the total target annual compensation (the sum of base salary and target bonus) and the total target direct compensation (the sum of base salary, target bonus and the annualized grant date present value of long-term incentive grants) for the Company's executive officers were below market median levels. Cook & Co. recommended that the Compensation Committee consider evaluating whether modifications to the Company's target bonus and long-term incentive opportunities were warranted by factors such as internal parity considerations, retention needs, affordability, and external competition for talent.

***Base Salary***

Base salaries for executives are determined by the Compensation Committee or the Board based upon job responsibilities, level of experience, individual performance, comparisons to the salaries of executives in similar positions at other companies within the compensation peer group, as well as internal comparisons of the relative compensation paid to the members of our executive team.

In addition, our CEO makes recommendations to the Compensation Committee with respect to the base compensation of our executives other than himself. In the case of the CEO, the Compensation Committee evaluates his performance and makes a recommendation of base compensation to the Board. These recommendations are then evaluated, discussed, modified as appropriate and ultimately approved by the Compensation Committee or the Board. Pursuant to the employment agreements the Company has entered into with Messrs. Hurt, Christenson and Storch, the Board may not reduce, but may increase, their base salaries so long as their employment agreements are in effect. For further discussion of the employment agreements, see the section entitled "Employment Agreements" in this Proxy Statement.

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On February 11, 2013, the Compensation Committee approved the 2013 compensation for the following named executive officers after a review of competitive market data and consideration of the Cook & Co. Report, current market and economic conditions, as well as performance of the Company and the performance and experience of the individual executive. For the year 2013, the named executive officers received base salaries as set forth in the table below.

On February 12, 2014, the Compensation Committee approved the 2014 compensation for the following named executive officers after a review of competitive market data and consideration of the Cook & Co. Report, current market and economic conditions, as well as performance of the Company and the performance and experience of the individual executive. For the year 2014, the named executive officers will receive base salaries as set forth in the table below.

Named Executive Officer	2013 Base Salary	2014 Base Salary(1)	Percentage Increase
Carl R. Christenson	\$ 600,000	\$ 612,000	2.0%
Christian Storch	\$ 382,500	\$ 390,150	2.0%
Gerald P. Ferris	\$ 231,850	\$ 236,487	2.0%
Glenn E. Deegan	\$ 265,000	\$ 270,300	2.0%
Craig Schuele	\$ 218,000	\$ 222,360	2.0%

(1) The 2014 base salaries for Messrs. Christenson, Storch, Ferris, Deegan and Schuele were effective as of January 1, 2014.

**Annual Cash Incentives**

Our executive officers (with the exception of Mr. Hurt) are eligible to participate in the Company's Management Incentive Compensation Program (MICP). Under the MICP, the Compensation Committee establishes an annual target bonus opportunity for each of our executive officers based upon the Company's achievement of certain financial performance targets. The financial performance targets in 2013 were based on adjusted EBITDA, working capital management, and sales and earnings per share (sales/EPS) growth goals. The adjusted EBITDA target consists of earnings before interest, income taxes, depreciation and amortization and is adjusted further for certain non-recurring costs, including, but not limited to, inventory fair value adjustments recorded in connection with acquisitions. The adjusted EBITDA target for fiscal 2013 was approximately \$113.0 million. The working capital management target is based on the number of working capital turns for the year. The working capital management target for fiscal 2013 was approximately 4.44 turns. The sales/EPS growth component of the MICP is based on the growth of sales and non-GAAP adjusted earnings per diluted share. The baselines for measuring sales/EPS growth for the 2013 MICP were budgeted 2013 net sales of approximately \$750.0 million and budgeted 2013 non-GAAP adjusted earnings per diluted share of \$1.80. Our executive officers are not entitled to a bonus under the MICP if the Company does not achieve at least 80% of the adjusted EBITDA target.

The Compensation Committee annually establishes a target bonus opportunity for each executive officer which represents the percentage of base salary to be received by the executive officer as a cash bonus if the Company meets its adjusted EBITDA and working capital management targets. This target percentage is then adjusted upwards or downwards by plotting actual adjusted EBITDA results on an established adjusted EBITDA target performance grid (EBITDA Multiplier). The resulting percentage is then further adjusted upwards or downwards by plotting actual working capital turns on an established working capital turns performance grid (Working Capital Turns Multiplier). The resulting percentage may then be further adjusted upward, but not downward, by plotting actual sales and non-GAAP adjusted earnings per diluted share on an established sales/EPS performance grid (Sales/EPS Multiplier).

The Company's actual results for fiscal 2013 were: (i) adjusted EBITDA of approximately \$102.9 million which was less than the adjusted EBITDA target and resulted in an EBITDA Multiplier of 0.625, (ii), working capital turns of approximately 4.94 which was greater than the working capital management target and resulted in a Working Capital Multiplier of 1.05, and (iii) sales of approximately \$722 million and non-GAAP adjusted

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earnings per diluted share of \$1.64 which resulted in a Sales/EPS Multiplier of 1.0. Based upon these results and the combined above-target performance of the Company, the Compensation Committee approved bonuses to each of Messrs. Christenson, Storch, Ferris, Deegan and Schuele as set forth in the table below.

Officer	2013 Target Bonus - Percentage of Base Salary	2013 Actual Bonus Payout \$	2013 Actual Bonus Payout Percentage of Base Salary	2013 Actual Bonus Payout Percentage of Target Bonus
Carl R. Christenson	75%	\$ 295,313	49%	66%
Christian Storch	55%	\$ 138,059	36%	66%
Gerald P. Ferris	50%	\$ 76,076	33%	66%
Glenn E. Deegan	50%	\$ 86,953	33%	66%
Craig Schuele	45%	\$ 64,378	30%	66%

Any bonuses earned are fully paid in cash following the end of the year earned and after the completion of the consolidated financial statement audit.

To further clarify the bonus calculation, the following is an example calculation for Mr. Christenson:

Base Salary	Target %	Target \$	EBITDA Multiplier	Working Capital Turns Multiplier	Sales/EPS Growth Multiplier	Bonus Payment(1)
\$600,000	75%	\$ 450,000	0.625	1.05	1.0	\$ 295,313

(1)  $(295,313 = 450,000 * 0.625 * 1.05 * 1.0)$

As our Executive Chairman, Mr. Hurt is not eligible to participate in the Company's MICP.

**Discretionary Bonus**

In addition to the amounts earned under the MICP, the Compensation Committee has recognized that certain special situations may arise where the Company may benefit from an employee significantly exceeding expectations and that such performance may warrant additional compensation. The Compensation Committee therefore granted our CEO the authority to award up to an aggregate of \$250,000 worth of additional discretionary bonuses in 2013 to Company employees for services the CEO determines to be beneficial to the Company and above and beyond the scope of such employee's regular services. No named executive officers received discretionary bonuses during 2013.

**Long-Term Incentive Compensation**

We believe that equity-based compensation ensures that our executives have a continuing stake in the long-term success of the Company. We issue equity-based compensation in the form of restricted stock, which generally vests ratably over a period of years, and performance shares, which generally includes a measurement period for the applicable performance metric of at least one year and may also vest ratably over a period of years after the amount of the award is fixed. The purpose of these equity incentives is to encourage stock ownership, offer long-term performance incentive and to more closely align the executive's compensation with the return received by the Company's stockholders.

The Cook & Co. Report noted, among other things, that the total target direct compensation (the sum of base salary, target bonus and the annualized grant date present value of long-term incentive grants) for the Company's executive officers were below market median levels. The Cook & Co. Report further noted that, on average, the Company's compensation peer group delivered their long term incentive awards using components such as stock options or performance share awards that had not historically been offered by the Company. As a result, the Cook & Co. Report further recommended that consideration be given to incorporating performance share awards into the Company's long term incentive program. After considering the information and recommendations contained in the Cook & Co. Report and additional competitive market data, the Compensation Committee decided to add a performance share component to the Company's long term incentive award program beginning in 2013.



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The Compensation Committee awards long-term incentive grants to the Company's executive officers as a component of total compensation to further align executive officers' compensation with the long-term performance of the Company and to aid in retention.

The Compensation Committee has established a target long-term incentive opportunity for each executive officer which represents a percentage of base salary to be received annually by the executive officer as a grant of time vested restricted stock. In setting the target percentage of base salary for the restricted stock award grant, the Compensation Committee considers compensation peer group benchmarking data, data contained in the Cook & Co. Report and, historically, recommendations provided by The Hay Group, an independent compensation consultant retained by the Compensation Committee in 2007. The Compensation Committee may then adjust the incentive grant upwards or downwards in its discretion. Messrs. Christenson, Storch, Ferris, Deegan and Schuele have target restricted stock award grant percentages equal to 150%, 50%, 35%, 35% and 35% of their respective base salary. On February 11, 2013 and February 12, 2014, the Compensation Committee approved the following grants of restricted stock for each of the named executive officers set forth below:

Officer	2013 Number of Restricted Shares Granted(1)	2013 Stock Value at Time of Grant	2014 Number of Restricted Shares Granted(2)	2014 Stock Value at Time of Grant
Carl R. Christenson	36,765	\$ 900,000	27,643	\$ 918,024
Christian Storch	7,813	\$ 191,250	5,874	\$ 195,076
Gerald P. Ferris	3,315	\$ 81,148	2,493	\$ 82,793
Glenn E. Deegan	3,789	\$ 92,750	5,861	\$ 194,644
Craig Schuele	3,117	\$ 76,300	3,850	\$ 127,859

(1) Shares vest in equal annual installments on August 15, 2013, August 15, 2014, August 15, 2015 and August 15, 2016.

(2) Shares vest in equal annual installments on August 15, 2014, August 15, 2015, August 15, 2016 and August 15, 2017.

The Compensation Committee did not adjust any of the above grants from the target percentage with the exception of Mr. Deegan's 2014 grant, which included an additional discretionary award of 3,012 shares, and Mr. Schuele's 2014 grant, which included an additional discretionary award of 1,506 shares.

The Compensation Committee has also established a target long-term incentive opportunity for each executive officer which represents a percentage of base salary to be received annually by the executive officer as a performance share award. In setting the target percentage of base salary for the performance share award grant, the Compensation Committee considers compensation peer group benchmarking data and data contained in the Cooke & Co. Report. Messrs. Christenson, Storch, Ferris, Deegan and Schuele have target performance share award grant percentages equal to 20% of their respective base salaries.

For performance share awards granted in 2013, the performance objective was a targeted amount of return on invested capital ( ROIC ) established by the Compensation Committee of the Company over a measurement period of one year beginning on January 1, 2013 and ending on December 31, 2013. Award payouts for the performance shares were based on the percentage of the performance target achieved. Actual 2013 ROIC was approximately 93% of the target established by the Compensation Committee resulting in an award payout for each participant of approximately 64% of such participant's target award. Accordingly, on February 26, 2014, the Compensation Committee fixed the amount of the 2013 performance share awards at 64% of target based upon achievement of the target performance objective. The awards were paid in restricted common stock, which restricted stock will vest in three equal installments upon the initial issuance date, on the first anniversary of the issuance date, and on the second anniversary of the issuance date.

On February 12, 2014, the Compensation Committee issued the 2014 grants of target performance shares to the named executive officers under the Company's 2004 Equity Incentive Plan. The performance objective is a targeted amount of ROIC established by the Compensation Committee of the Company over a measurement

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period of one year beginning on January 1, 2014 and ending on December 31, 2014. Award payouts for the performance shares will be based on the percentage of the performance target achieved. The percentage of the award earned at the end of the performance cycle based on the performance target can range between 0%, for achievement of less than approximately 78% of the performance target, and 200%, for achievement of approximately 109% of the performance target. Once the amount of the performance share award is fixed based upon achievement of the target performance objective, the awards will be paid in restricted common stock, which restricted stock will vest in three equal installments upon the initial issuance date, on the first anniversary of the issuance date, and on the second anniversary of the issuance date.

Information regarding the 2013 and 2014 Performance Share grants to named executive officers is set forth in the table below.

<b>Officer</b>	<b>2013 Target Number of Performance Shares Granted</b>	<b>2013 Actual Performance Shares Awarded</b>	<b>2014 Target Number of Performance Shares Granted</b>	<b>2014 Stock Value at Time of Grant</b>
Carl R. Christenson	4,902	3,138	3,686	\$ 122,400
Christian Storch	3,125	2,000	2,350	\$ 78,030
Gerald P. Ferris	1,894	1,213	1,425	\$ 47,297
Glenn E. Deegan	2,165	1,386	1,628	\$ 54,060
Craig Schuele	1,781	1,140	1,340	\$ 44,472

**Discretionary Equity Incentive Compensation**

In addition to long-term equity-based compensation, the Compensation Committee has recognized that certain special situations may arise where the Company may benefit from an employee significantly exceeding expectations and that such performance may warrant additional compensation. The Compensation Committee therefore granted our CEO the authority to award up to an aggregate of 25,000 shares of restricted stock in 2013 to Company employees, on such terms, including vesting periods, as the CEO may determine in his discretion, for services the CEO determines to be beneficial to the Company and above and beyond the scope of such employee's regular services. No named executive officers received discretionary stock awards granted by our CEO during 2013. As noted above, Messrs. Deegan and Schuele received discretionary awards approved by the Compensation Committee.

**Other Benefits**

We have a 401(k) plan in which the named executive officers currently participate. We also have a frozen defined benefit plan from which Messrs. Ferris and Schuele are eligible to receive benefits. We also provide life, disability, medical and dental insurance as part of our compensation package. The Compensation Committee considers all of these plans and benefits when reviewing the total compensation of our executive officers.

For 2013, the 401(k) plan offered a company match of \$0.50 for every \$1.00 contributed by a named executive officer to the plan, up to 6% of the executive officer's eligible compensation subject to applicable IRS maximums. For 2013, the Company also contributed an amount equal to 3% of a named executive officer's eligible compensation to their account regardless of the amount of the contributions made by the named executive officer.

Messrs. Ferris and Schuele previously participated in the Colfax PT Pension Plan; however on December 31, 1998 participation in and benefits accrued under such plan were frozen. Under the provisions of the plan, upon reaching the normal retirement age of sixty-five, Mr. Ferris will receive annual payments of approximately \$38,661 and Mr. Schuele will receive annual payments of approximately \$10,814. As part of its acquisition of Power Transmission Holding LLC from Colfax Corporation, the Company assumed certain liabilities of the Colfax PT Pension Plan, including such future payments to Messrs. Ferris and Schuele.

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The named executive officers are provided with the same short-term and long-term disability benefits as our other salaried employees. Additionally, the named executive officers are provided with life insurance and supplemental long-term disability benefits that are not available to all salaried employees.

### ***Perquisites***

We do not provide the named executive officers with perquisites or other personal benefits such as company vehicles, club memberships, financial planning assistance, tax preparation or other similar benefits with the exception of Mr. Ferris, our Vice President of Global Sales, who as a sales executive has use of a company-leased automobile.

### **Stock Ownership Guidelines**

The Compensation Committee has established the following stock ownership guidelines for certain of the Company's senior executive positions, including those held by Messrs. Christenson, Storch, Ferris, Deegan and Schuele:

Carl R. Christenson As President and Chief Executive Officer, Mr. Christenson should retain the value of Company stock equivalent to five (5) times his base annual salary.

Christian Storch As Chief Financial Officer, Mr. Storch should retain the value of Company stock equivalent to three (3) times his base annual salary.

Gerald P. Ferris As Vice President of Global Sales, Mr. Ferris should retain the value of Company stock equivalent to one (1) time his base annual salary.

Glenn E. Deegan As Vice President, Legal and Human Resources, General Counsel and Secretary, Mr. Deegan should retain the value of Company stock equivalent to one (1) times his base annual salary.

Craig Schuele As Vice President of Marketing and Business Development, Mr. Schuele should retain the value of Company stock equivalent to one (1) times his base annual salary.

The following categories satisfy a participant's ownership guidelines: (i) shares of common stock owned directly; (ii) shares of common stock owned indirectly (e.g., by a spouse or a trust); (iii) shares of common stock represented by amounts invested in a 401(k) plan or deferred compensation plan maintained by the Company or an affiliate; and (iv) restricted stock (vested and unvested), earned performance shares (vested and unvested), restricted stock units (vested and unvested), or phantom stock. Unexercised options, unearned performance shares, and pledged shares are not counted toward meeting the guidelines. All of these executive officers have a five (5) year period to accumulate the specific values referenced above.

The Company's Board of Directors has the discretion to enforce the stock ownership guidelines on a case-by-case basis. Violations of the Company's stock ownership guidelines may, without limitation and in the Board's discretion, result in the participant not receiving future grants of long-term incentive plan awards or annual equity retainer or result in the participant being required to retain all or a portion of future grants of long-term incentive plan awards or annual equity retainer until compliance is achieved.

### **Tax and Accounting Considerations**

Section 162(m) of the Internal Revenue Code of 1986, as amended generally places a limit of \$1,000,000 on the amount of compensation that we may deduct in any one year with respect to our Chief Executive Officer and each of the next four most highly compensated executive officers. The Compensation Committee considers the anticipated tax treatment to the Company and its executive officers when reviewing the executive compensation programs. However, the Compensation Committee will not necessarily seek to limit executive compensation to amounts deductible under Section 162(m), as the Compensation Committee wishes to maintain flexibility to structure our executive compensation



programs in ways that best promote the interests of the Company and its stockholders.

**Table of Contents****Change of Control Matters, Employment Contracts and Other Agreements*****Employment Agreements***

Two of our named executive officers, Messrs. Christenson and Storch, have entered into employment agreements with us and our wholly-owned subsidiary Altra Power Transmission, Inc. (formerly known as Altra Industrial Motion, Inc.). Mr. Christenson entered into his employment agreement in early January 2005, which was subsequently amended on March 3, 2009 (with such amendment effective as of January 1, 2009). Under the terms of his employment agreement, Mr. Christenson has a five-year employment term, beginning on January 1, 2009, following which the agreement automatically renews for successive one-year terms unless either Mr. Christenson or Altra terminates the agreement upon 6 months prior notice to such renewal date. Mr. Storch entered into his employment agreement in December 2007, which was subsequently amended on November 5, 2012. The initial term of Mr. Storch's amended employment agreement expired on December 31, 2013, but the term of the agreement automatically renews for successive one-year terms unless either Mr. Storch or Altra terminates the agreement upon 6 months prior notice to such renewal date. Each of the employment agreements contain usual and customary restrictive covenants, including 12 month non-competition provisions and non-solicitation/no hire of employees or customers provisions, non-disclosure of proprietary information provisions and non-disparagement provisions. In the event of a termination without cause or departure for good reason, Messrs. Christenson and Storch are entitled to severance equal to 12 months' salary, continuation of medical and dental benefits for the 12-month period following the date of termination, and an amount equal to their pro-rated bonus for the year of termination. In addition, upon such termination, all of Mr. Christenson's unvested equity awards, and fifty percent of Mr. Storch's unvested equity awards, received from our Incentive Plan shall automatically vest. Any payments upon termination are subject to certain conditions including compliance with the non-competition, non-solicitation, non-disclosure and non-disparagement provisions described above. Under the terms of his employment agreement, upon his death or disability, fifty percent of Mr. Storch's unvested equity awards received from the Company's Incentive Plan shall automatically vest.

Under the agreements, each of Messrs. Christenson and Storch is also eligible to participate in all compensation or employee benefit plans or programs and to receive all benefits and perquisites for which the Company's salaried employees generally are eligible under any current or future plan or program on the same basis as other senior executives of the Company.

***Change of Control Provisions***

Pursuant to the terms of the employment agreements discussed above under the caption *Employment Agreements*, we provide benefits to Messrs. Christenson and Storch upon termination of employment from the Company under certain circumstances. The benefits described under the caption *Employment Agreements* are in addition to the benefits to which the executives would be entitled upon a termination of employment generally (i.e. vested retirement benefits accrued as of the date of termination, stock awards that are vested as of the date of termination and the right to elect continued health coverage pursuant to COBRA).

The Company and its wholly-owned subsidiary, Altra Power Transmission, Inc. (formerly known as Altra Industrial Motion, Inc.), have entered into change of control agreements, effective as of October 28, 2008, with each of our named executive officers (collectively, the *Executives*). The change of control agreements provide that, subject to certain conditions, including compliance with non-competition, non-solicitation, non-disclosure and non-disparagement provisions, in the event that (a) the Executive is terminated without cause or such Executive terminates employment for good reason within 24 months following a change of control of the Company (as defined in the change of control agreements) or (b) the Executive is terminated without cause in anticipation of a change of control of the Company within 90 days prior to such change of control (each, a *triggering event*), such Executive will be entitled to certain benefits. Such benefits include (i) a lump sum amount payable in cash equal to the sum of (A) a multiple (shown below for each of the named executive officers) of the Executive's annual base salary then in effect and (B) a multiple (shown below for each of the named executive officers) of the Executive's target bonus amount for the year of termination and (ii) continuation of medical and dental benefits for up to 18 months (period shown below for each of the named

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executive officers ) following the date of termination. In addition, upon a change of control, the Executive will be entitled to an amount equal to such Executive's pro-rated bonus for the year of termination and all of such Executive's outstanding equity incentive awards will automatically vest in full and be exercisable as of the date of termination.

<b>Executive</b>	<b>Title</b>	<b>Multiple of Base Salary and Target Bonus</b>	<b>Medical and Dental Continuation</b>
Carl R. Christenson	President and Chief Executive Officer	2x	18 Months
Christian Storch	Chief Financial Officer	2x	18 Months
Gerald P. Ferris	Vice President of Global Sales	1.5x	18 Months
Glenn E. Deegan	Vice President, Legal and Human Resources, General Counsel and Secretary	1.5x	18 Months
Craig Schuele	Vice President of Marketing and Business Development	1.5x	18 Months

Because Messrs. Christenson and Storch also have employment agreements with the Company, the change of control agreements for these Executives provide that in the event of a triggering event, such Executive shall be entitled to receive benefits and payments under only one of the employment agreement or the change of control agreement, whichever is more favorable to the Executive at the time of such triggering event.

As more fully discussed in the caption "2004 Equity Incentive Plan" in this Proxy Statement, the Compensation Committee has the authority to affect immediate vesting of various employee incentive awards upon a change of control of Altra. The Compensation Committee may provide that any time prior to a change in control, any outstanding stock options, stock appreciation rights, stock units and unvested cash awards shall immediately vest and become exercisable and any restriction on restricted stock awards or stock units shall immediately lapse. In addition, the Compensation Committee may provide that all awards held by participants who are in our service at the time of the change of control, shall remain exercisable for the remainder of their terms notwithstanding any subsequent termination of a participant's service. These provisions also apply to the proposed 2014 Omnibus Incentive Plan.

***Executive Severance Policy***

The Compensation Committee has approved an Executive Severance Policy, effective as of November 1, 2008, applicable to certain executive officers of the Company, including three named executive officers, Gerald P. Ferris, Glenn E. Deegan and Craig Schuele (collectively for the purposes of this subsection, the "Participants"). The Executive Severance Policy provides that, subject to certain conditions including compliance with non-competition, non-solicitation, non-disclosure and non-disparagement provisions, in the event that a Participant is terminated without cause by the Company, such Participant will be entitled to continue receiving his base salary and medical and dental benefits for a period of 12 months following such termination. In the event a Participant enters into a written agreement with the Company regarding severance, including a change of control agreement, the terms and conditions of such written agreement shall control with respect to the termination circumstances covered by such agreement and the Participant shall not be eligible to receive benefits under this policy.

Amounts payable to our named executive officers due to termination of employment or a change of control under any employment agreements or otherwise are disclosed in further detail in the table entitled "Potential Post-Employment Payments to Named Executive Officers" contained in this Proxy Statement.

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### *Indemnification Agreements*

We have entered into indemnification agreements with each of our directors and executive officers. We believe that these agreements are necessary to attract and retain qualified persons as directors and executive officers. These agreements require us to indemnify these individuals to the fullest extent permitted under Delaware law against liabilities that may arise by reason of their service to us, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified. We also intend to enter into indemnification agreements with our future directors and executive officers.

### *Retirement*

As part of the acquisition of Power Transmission Holding LLC ( PTH ) from Colfax Corporation, we agreed to assume active pension plan liabilities of PTH, including certain liabilities under its Colfax PT Pension Plan. Messrs. Ferris and Schuele previously participated in the Colfax PT Pension Plan; however, on December 31, 1998, their participation in and benefits accrued under such plan were frozen. Under the provisions of the plan, upon reaching the normal retirement age of 65, Mr. Ferris will receive annual payments of approximately \$38,661 and Mr. Schuele will receive annual payments of approximately \$10,814. These amounts were determined from a formula set forth in the plan and are based upon (i) a participant's years of service, (ii) a participant's compensation at the time the plan was frozen, and (iii) a standard set of benefit percentage multipliers. The assumed liabilities of the Colfax PT Pension Plan, including the retirement benefits payable to Messrs. Ferris and Schuele, will be managed under the Altra Industrial Motion, Inc. Retirement Plan, which has been frozen at identical levels to the Colfax PT Pension Plan.

### *Advisory Vote on Executive Compensation*

We conducted advisory votes on executive compensation at our 2011, 2012 and 2013 Annual Meetings. While these votes were not binding on the Company, our Board of Directors or our Compensation Committee, we believe that it is important for our stockholders to have an opportunity to vote on this proposal on an annual basis as a means to express their views regarding our executive compensation philosophy, our compensation policies and programs, and our decisions regarding executive compensation, all as disclosed in our proxy statement. Our Board of Directors and our Compensation Committee value the opinions of our stockholders and, to the extent there is any significant vote against the compensation of our named executive officers as disclosed in the proxy statement, we will consider our stockholders' concerns and the Compensation Committee will evaluate whether any actions are necessary to address those concerns. In addition to our annual advisory vote to approve executive compensation, we are committed to ongoing engagement with our stockholders on executive compensation and corporate governance issues. These engagement efforts take place throughout the year through meetings, telephone calls and correspondence involving our senior management, directors and representatives of our stockholders.

At the 2013 Annual Meeting, approximately 97% of the votes cast on the advisory vote on executive compensation proposal were in favor of our named executive officer compensation as disclosed in the proxy statement, and as a result our named executive officer compensation was approved. The Board of Directors and Compensation Committee reviewed these final vote results and took them into account in evaluating our executive compensation policies and decisions. As noted above, the Compensation Committee did engage Cook & Co. in 2011 to assist in identifying an updated and expanded compensation peer group and in reviewing the competitiveness of the Company's executive compensation programs.

We have determined that our stockholders should vote on a Say-on-Pay proposal each year, consistent with the preference expressed by our stockholders at the 2011 Annual Meeting. It is expected that the next such vote will occur at the 2015 Annual Meeting of stockholders.

**Accordingly, our Board of Directors recommends that you vote FOR Proposal 4 at the Annual Meeting.** For more information, see *Proposal 4. Advisory Vote to Approve the Compensation of the Company's Named Executive Officers ( Say on Pay )* in this proxy statement.

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**COMPENSATION COMMITTEE REPORT**

The Personnel and Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis included in this Proxy Statement. Based on this review and discussion, the Personnel and Compensation Committee has recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference into our Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

**Personnel and Compensation Committee:**

**Edmund M. Carpenter (Chairman)**

**Larry McPherson**

**Michael S. Lipscomb**

**Table of Contents****COMPENSATION OF NAMED EXECUTIVES**

The following table summarizes all compensation paid during fiscal 2011, 2012, and 2013 to our principal executive officer, our principal financial officer and our three other most highly compensated executive officers who were serving as executive officers at December 31, 2013. We refer to these executive officers as the named executive officers.

**Summary Compensation Table**

Name & Principal Position	Year	Salary	Bonus	Stock Awards(1)	Non-Equity Incentive Plan Compensation (2)	All Other Compensation	Total Compensation
<b>Carl R. Christenson</b> President and Chief Executive Officer	2013	\$ 600,000		\$ 1,020,000(3)	\$ 295,313	\$ 26,072(8)	\$ 1,941,385
	2012	575,000		862,500	425,795	24,929	1,888,224
	2011	526,042		787,500	447,851	19,440	1,780,833
<b>Christian Storch</b> Vice President and Chief Financial Officer	2013	382,500		267,750(4)	138,059	23,583(9)	811,892
	2012	371,527		185,764	183,414	24,569	765,274
	2011	361,144		180,353	205,134	22,452	769,083
<b>Gerald Ferris</b> Vice President of Global Sales	2013	231,850		127,518(5)	76,076	21,914(10)	457,358
	2012	225,101		78,785	111,127	25,499	440,512
	2011	218,810		76,491	124,287	20,189	439,777
<b>Glenn Deegan</b> Vice President, Legal and Human Resources, General Counsel and Secretary	2013	265,000		145,750(6)	86,953	25,392(11)	523,095
	2012	250,000		117,545	111,077	24,569	503,191
	2011	232,031		81,113	105,437	17,910	436,491
<b>Craig Schuele</b> Vice President of Marketing and Business Development	2013	218,000		119,900(7)	64,378	22,047(12)	424,325
	2012	210,000		73,500	93,305	23,729	400,534
	2011	200,807		70,282	91,359	17,414	379,862

- (1) This amount reflects the aggregate grant date fair value of restricted stock awards granted in fiscal years 2013, 2012 and 2011 and performance awards in 2013. The grant date fair value of the performance awards was calculated based upon the probable outcome of the performance conditions as of the grant date in accordance with FASB Topic 718. For additional information on the valuation assumptions regarding the restricted stock and performance awards, refer to Note 10 to our financial statements for the year ended December 31, 2013, which are included in our Annual Report on Form 10-K for the year ended December 31, 2013.
- (2) Paid in March of the subsequent year under the Company's Management Incentive Compensation Program.
- (3) Restricted Stock awards represent \$900,000 and performance shares represent \$120,000 based upon the probable outcome of the performance conditions as of the grant date. The maximum value of performance shares that could have been granted based on achievement of the target performance objective was \$240,000. On February 26, 2014, based upon actual 2013 results for the target performance objective, the Compensation Committee fixed the award of shares at \$76,818.
- (4) Restricted Stock awards represented \$191,250 and performance shares represent \$76,500 based upon the probable outcome of the performance conditions as of the grant date. The maximum value of performance shares that could have been granted based on achievement of the target performance objective was \$153,000. On February 26, 2014, based upon actual 2013 results for the target performance objective, the Compensation Committee fixed the award of shares at \$48,960.

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- (5) Restricted Stock awards represented \$81,148 and performance shares represent \$46,370 based upon the probable outcome of the performance conditions as of the grant date. The maximum value of performance

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shares that could have been granted based on achievement of the target performance objective was \$92,740. On February 26, 2014, based upon actual 2013 results for the target performance objective, the Compensation Committee fixed the award of shares at \$29,694.

- (6) Restricted Stock awards represented \$92,750 and performance shares represent \$53,000 based upon the probable outcome of the performance conditions as of the grant date. The maximum value of performance shares that could have been granted based on achievement of the target performance objective was \$106,000. On February 26, 2014, based upon actual 2013 results for the target performance objective, the Compensation Committee fixed the award of shares at \$33,929.
- (7) Restricted Stock awards represented \$76,300 and performance shares represent \$43,600 based upon the probable outcome of the performance conditions as of the grant date. The maximum value of performance shares that could have been granted based on achievement of the target performance objective was \$87,200. On February 26, 2014, based upon actual 2013 results for the target performance objective, the Compensation Committee fixed the award of shares at \$27,907.
- (8) Represents our 401(k) contribution of \$15,300 and premiums paid for medical, dental, life and disability benefits.
- (9) Represents our 401(k) contribution of \$15,300 and premiums paid for medical, dental, life and disability benefits.
- (10) Represents our 401(k) contribution of \$13,446 and premiums paid for medical, dental, life and disability benefits.
- (11) Represents our 401(k) contribution of \$15,300 and premiums paid for medical, dental, life and disability benefits.
- (12) Represents our 401(k) contribution of \$14,190 and premiums paid for medical, dental, life and disability benefits.



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The following table presents information regarding grants of plan-based awards to our named executive officers during the fiscal year ended December 31, 2013.

**Grants of Plan-Based Awards**

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units	Grant Date Fair Value of Stock & Option Awards(\$)(1)
		Threshold	Target	Maximum	Threshold	Target	Maximum		
		(\$)	(\$)	(\$)	(#)	(#)	(#)		
Carl R. Christenson	2/11/13							36,765	\$ 900,000
Christian Storch	2/11/13							7,813	191,250
Gerald P. Ferris	2/11/13							3,315	81,148
Glenn E. Deegan	2/11/13							3,789	92,750
Craig Schuele	2/11/13							3,117	76,300

- (1) These amounts reflect the aggregate grant date fair value of awards in accordance with FASB ASC Topic 718. For additional information on the valuation assumptions regarding the restricted stock awards, refer to Note 10 to our financial statements for the year ended December 31, 2013, which are included in our Annual Report on Form 10-K for the year ended December 31, 2013 filed with the SEC. The following table presents information concerning the number and value of restricted stock that has not vested for our named executive officers outstanding as of the end of the fiscal year ended December 31, 2013.

**Outstanding Equity at Fiscal Year-End**

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)
Carl R. Christenson					56,749(1)	\$ 1,941,950
Christian Storch					12,266(2)	419,743
Gerald P. Ferris					5,205(3)	178,115
Glenn E. Deegan					5,817(4)	199,058
Craig Schuele					4,861(5)	166,343

- (1) 28,265 restricted shares will vest in August 2014, 19,291 restricted shares will vest in August 2015 and 9,193 will vest in August 2016.
- (2) 6,183 restricted shares will vest in August 2014, 4,129 restricted shares will vest in August 2015 and 1,954 will vest in August 2016.

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- (3) 2,624 restricted shares will vest in August 2014, 1,752 restricted shares will vest in August 2015 and 829 will vest in August 2016.
- (4) 2,897 restricted shares will vest in August 2014, 1,972 restricted shares will vest in August 2015 and 948 will vest in August 2016.
- (5) 2,441 restricted shares will vest in August 2014, 1,640 restricted shares will vest in August 2015 and 780 will vest in August 2016.

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The following table presents information concerning the vesting of restricted stock for our named executive officers during the fiscal year ended December 31, 2013. The Company has not granted any options.

**Option Exercises and Stock Vested**

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
<b>Carl R. Christenson</b>			46,121	\$ 1,165,478
<b>Christian Storch</b>			10,352	261,595
<b>Gerald P. Ferris</b>			4,391	110,961
<b>Glenn E. Deegan</b>			6,120	155,600
<b>Craig Schuele</b>			4,050	102,344

**Pension Benefits**

The following table presents information concerning payments or other benefits for our named executive officers in connection with their retirement.\*

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (\$)	Payments During Last Fiscal Year(\$)
<b>Carl R. Christenson</b>				
<b>Christian Storch</b>				
<b>Gerald P. Ferris (1)</b>	Altra Industrial Motion, Inc. Retirement Plan	20.66	412,192	
<b>Glenn E. Deegan</b>				
<b>Craig Schuele (1)</b>	Altra Industrial Motion, Inc. Retirement Plan	12.33	71,007	

\* For further discussion of the valuation method and material assumptions used in quantifying the present value of accumulated benefit, see Note 8 of our Consolidated Financial Statements contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

- (1) Reflects pension benefits accrued for Mr. Ferris and Mr. Schuele under PTH's Colfax PT Pension Plan, which Altra assumed in connection with its acquisition of PTH. Mr. Ferris and Mr. Schuele's participation in and benefits accrued under such plan were frozen since December 31, 1998. The Altra Industrial Motion, Inc. Retirement Plan manages the assumed liabilities under the Colfax PT Pension Plan. Under the provisions of the Colfax PT Pension Plan, upon reaching the normal retirement age of 65, Messrs. Ferris and Schuele will receive annual payments of approximately \$38,661 and \$10,814, respectively. Mr. Ferris and Mr. Schuele are eligible to receive a reduced annual payment in the event of his early retirement. For further discussion, please see the section of this Proxy Statement entitled Retirement.

**2004 Equity Incentive Plan**

Our 2004 Equity Incentive Plan, or Incentive Plan, permits the grant of restricted stock, stock units, stock appreciation rights, cash, performance awards, non-qualified stock options and incentive stock options to purchase shares of our common stock, par value \$0.001 per share. Currently, the maximum number of shares of

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our common stock that may be issued under the terms of the Incentive Plan is 3,754,256 and the maximum number of shares that may be subject to incentive stock options (within the meaning of Section 422 of the Code) is 1,750,000 shares. The Compensation Committee of our Board of Directors administers the Incentive Plan and has discretion to establish the specific terms and conditions for each award. Our employees, consultants and directors are eligible to receive awards under our Incentive Plan. Stock options, stock appreciation rights, restricted stock, stock units and cash awards may constitute performance-based awards in accordance with Section 162(m) of the Code at the discretion of the Compensation Committee. Any grant of restricted stock under the Incentive Plan may be subject to vesting requirements, as provided in its applicable award agreement, and will generally vest in equal annual installments over a period of years. The Compensation Committee may provide that any time prior to a change in control, any outstanding stock options, stock appreciation rights, stock units and unvested cash awards shall immediately vest and become exercisable and any restriction on restricted stock awards or stock units shall immediately lapse. In addition, the Compensation Committee may provide that all awards held by participants who are in our service at the time of the change of control, shall remain exercisable for the remainder of their terms notwithstanding any subsequent termination of a participant's service. All awards shall be subject to the terms of any agreement effecting a change of control. Other than Mr. Hurt's, Mr. Christenson's and Mr. Storch's outstanding equity awards, upon a participant's termination of employment (other than for cause), unless the Board or Compensation Committee provides otherwise: (i) any outstanding stock options or stock appreciation rights may be exercised 90 days after termination, to the extent vested, (ii) unvested restricted stock awards and stock units shall expire and (iii) cash awards and performance-based awards shall be forfeited. Under the terms of his employment agreement, in the event Mr. Hurt's employment is terminated by us other than for cause, or terminates for good reason, all of his outstanding equity awards shall vest automatically. Under the terms of his employment agreement, in the event Mr. Christenson's employment is terminated by us other than for cause, or terminates for good reason, all of his outstanding equity awards shall vest automatically. Under the terms of his employment agreement, in the event Mr. Storch's employment is terminated by us other than for cause, or terminates for good reason, fifty percent (50%) of his outstanding equity awards shall vest automatically.

The Incentive Plan expires in 2014. Subject to stockholder approval of Proposal 3, the Company's Board adopted the Altra Industrial Motion Corp. 2014 Omnibus Incentive Plan.

The following table presents information concerning our 2004 Equity Incentive Plan as of December 31, 2013.

**Equity Compensation Plan Information**

<b>Plan Category</b>	<b>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights(a)</b>	<b>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights(b)</b>	<b>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))(c)</b>
Equity compensation plans approved by security holders(1)		\$	750,576
Equity compensation plans not approved by security holders	n/a	n/a	n/a
<b>Total</b>		\$	<b>750,576</b>

(1) The 2004 Equity Incentive Plan was approved by the Company's stockholders prior to the initial public offering.

**Table of Contents****Potential Payments Upon Termination or Change-In-Control**

The applicable employment agreement, change of control agreement, or executive severance policy control payments to the named executive officers upon termination or a change in control of the Company. Please refer to Change of Control Matters, Employment Contracts, and Other Agreements in the Compensation Discussion & Analysis section in this Proxy Statement for a detailed discussion of the terms of each of these agreements.

The estimated payments and benefits that would be provided to each named executive officer as a result of a termination (i) upon death or disability, (ii) without cause or for good reason, (iii) involuntary with cause or voluntary without good reason, or (iv) upon a change in control are set forth in the table below. Calculations for this table are based on the assumption that the termination took place on December 31, 2013 and the individual was employed for the full year of fiscal 2013. The amounts in the table below do not include payments and benefits to the extent they are provided on a non-discriminatory basis to salaried employees generally upon termination of employment.

	Carl R. Christenson				Christian Storch			
	Death or Disability	Termination Without Cause or for Good Reason	Involuntary for Cause/ Voluntary Termination	Change in Control	Death or Disability	Termination Without Cause or for Good Reason	Involuntary for Cause/ Voluntary Termination	Change in Control
	<b>Incremental and Earned Compensation</b>							
<i>Cash Severance(1)</i>	\$	\$ 600,000	\$	\$ 1,200,000	\$	\$ 382,500	\$	\$ 765,000
<i>Health Insurance(1)</i>		15,399		23,099		15,399		20,481
<i>Restricted Stock(2)</i>	167,745	1,941,917		2,109,662	106,938	164,889		436,716
<i>Performance Bonus(1)</i>	295,313	295,313	295,313	1,195,313	138,059	138,059	138,059	558,809
<i>Total</i>	\$ 463,058	\$ 2,852,629	\$ 295,313	\$ 4,528,073	\$ 244,997	\$ 700,847	\$ 138,059	\$ 1,781,006

	Gerald P. Ferris(3)				Glenn E. Deegan			
	Death or Disability	Termination Without Cause or for Good Reason	Involuntary for Cause/ Voluntary Termination	Change in Control	Death or Disability	Termination Without Cause or for Good Reason	Involuntary for Cause/ Voluntary Termination	Change in Control
	<b>Incremental and Earned Compensation</b>							
<i>Cash Severance(1)</i>	\$	\$ 231,850	\$	\$ 347,775	\$	\$ 265,000	\$	\$ 397,500
<i>Health Insurance(1)</i>		15,399		23,099		15,399		20,481
<i>Restricted Stock(2)</i>	64,820			242,935	74,087			273,145
<i>Performance Bonus(1)</i>				249,964				285,703
<i>Total</i>	\$ 64,820	\$ 247,249	\$	\$ 863,772	\$ 74,087	\$ 280,399	\$	\$ 976,829

	Craig Schuele(3)			
	Death or Disability	Termination Without Cause or for Good Reason	Involuntary for Cause/ Voluntary Termination	Change in Control
	<b>Incremental and Earned Compensation</b>			
<i>Cash Severance(1)</i>	\$	\$ 218,000	\$	\$ 327,000
<i>Health Insurance(1)</i>		15,399		23,099
<i>Restricted Stock(2)</i>		60,947		227,290
<i>Performance Bonus(1)</i>				206,623
<i>Total</i>		60,947	\$ 233,399	\$ 784,012

(1)

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Cash severance, health insurance and performance bonus amounts payable upon termination as reflected herein were determined by the terms of the applicable employment agreement (with respect to Messrs. Christenson and Storch), executive severance policy (with respect to Messrs. Ferris, Deegan and Schuele), or change of control agreement, which are further discussed in this Proxy Statement under the captions Executive Severance Policy and Change of Control Provisions.

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- (2) The restricted stock values were determined using the number of shares that will immediately vest upon termination per the applicable agreement multiplied by Altra's stock price at December 31, 2013.
  
- (3) Mr. Ferris and Mr. Schuele will be entitled to receive certain annual pension payments upon reaching the normal retirement age of 65 or a reduced benefit if earlier than normal retirement age, as further described in this Proxy Statement under the caption Retirement.



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**REPORT OF THE AUDIT COMMITTEE**

The Audit Committee reviews Altra's financial reporting process on behalf of the Board of Directors and reports to the Board on audit, financial and related matters. Altra's management has the primary responsibility for the financial statements and the reporting process, including the system of internal controls. Deloitte & Touche LLP (the independent external auditor for fiscal year ended December 31, 2013) was responsible for performing an independent audit of the Company's consolidated financial statements in accordance with generally accepted auditing principles and to issue a report thereon. The Audit Committee oversees these processes.

In this context, the Audit Committee has met and held discussions with Altra's management and the independent auditor. Management has represented to the Audit Committee that the Company's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States, and the Audit Committee reviewed and discussed the consolidated financial statements with management and the independent auditor. The Audit Committee also discussed with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61 *Communication with Audit Committees*.

In addition, the Audit Committee discussed with the independent auditor such auditor's independence from the Company and its management, and the independent auditor provided to the Audit Committee the written disclosures and communications required by the Public Company Accounting Oversight Board regarding the independent auditor's communication with the Audit Committee concerning independence.

The Audit Committee discussed with the Company's internal audit staff and independent auditor the overall scope and plans for their respective audits. The Audit Committee met with the internal audit staff and the independent auditor, with and without management present, to discuss the results of their examinations, their evaluations of Altra's internal controls, and the overall quality of Altra's financial reporting.

Based on the reviews and discussions with management and the independent auditor referred to above, the Audit Committee recommended to the Board of Directors, and the Board of Directors has approved, that the audited financial statements be included in Altra's Annual Report on Form 10-K for the fiscal year ended December 31, 2013, and filed with the SEC.

**AUDIT COMMITTEE**

**Lyle G. Ganske (Chairman)**

**Edmund M. Carpenter**

**Michael S. Lipscomb**

**Table of Contents****PROPOSAL 2. RATIFICATION OF SELECTION OF INDEPENDENT****REGISTERED PUBLIC ACCOUNTING FIRM**

Deloitte & Touche LLP ( D&T ) has been selected by the Audit Committee of the Board of Directors to audit the accounts of Altra and its subsidiaries for the fiscal year ending December 31, 2014. D&T served as our independent auditor for fiscal years 2009-2013. At the Annual Meeting, the stockholders are being asked to ratify the appointment of D&T as Altra's independent auditor for fiscal year 2014. If ratification is withheld, the Audit Committee will reconsider its selection. A representative of D&T will attend our Annual Meeting to respond to appropriate questions and will have the opportunity to make a statement if the representative desires to do so.

**Audit Fees**

The aggregate professional fees billed or to be billed by D&T for the audit of our annual financial statements for fiscal 2013 and 2012 and fees billed or to be billed for audit related services, tax services and all other services rendered by D&T for these periods are as follows (in thousands):

	<b>Deloitte &amp; Touche LLP</b>	
	<b>2013</b>	<b>2012</b>
Audit Fees(1)	\$ 2,103	\$ 1,799
Audit Related Fees(2)	0	97
Tax Fees(3)	37	68
All Other Fees(4)	2	32
<b>Total</b>	<b>\$ 2,142</b>	<b>\$ 1,996</b>

- (1) Audit Fees for the fiscal years ended December 31, 2013 and 2012 were for professional services provided for the audit of the Company's consolidated financial statements, statutory audits, audit of internal controls, consents and assistance with review of documents filed with the SEC.
- (2) There were no Audit Related Fees for the fiscal year ended December 31, 2013. Audit Related Fees for the fiscal year ended December 31, 2012 were for services related to (i) beginning balance audit procedures related to the Company's acquisition of the Lamiflex business and (ii) responses to SEC comment letters.
- (3) Tax Fees for the fiscal years ended December 31, 2013 and 2012 were for services related to tax compliance, including the preparation of tax returns; and tax planning and tax advice, including assistance with acquisitions, mergers and foreign operations.
- (4) Other Fees for the fiscal year ended December 31 2013 were for DART software subscription. Other Fees for the fiscal year ended December 31 2012 were for services related to evaluation of and assistance with proposed acquisitions and DART software subscription.

**Pre-Approval of Audit and Non-Audit Services**

Altra's Audit Committee is responsible for appointing Altra's independent auditor and approving the terms of the independent auditor's services. The Audit Committee has established a policy for the pre-approval of all audit and permissible non-audit services to be provided by the independent auditor, as described below and must pre-approve any internal control related service, including any changes in the nature, scope or extent of such services.

***Audit Services***

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Under the policy, the Audit Committee is to approve the engagement of Altra's independent auditor each fiscal year and pre-approve each audit and audit-related service to be performed by such independent auditor, including, but not limited to, the audit of Altra's financial statements and the provision of an attestation report on management's evaluation of Altra's internal controls over financial reporting. As noted above, the Audit Committee must specifically approve, in advance, any proposed change in the nature, scope or extent of any internal control related service.

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*Non-Audit Services*

In accordance with the pre-approval policy, the Audit Committee must pre-approve non-audit services that may be performed by the independent auditor during the fiscal year. The Audit Committee will approve the provision of only those non-audit services deemed permissible under the federal securities laws and regulations. The Audit Committee may delegate to the Chair of the Audit Committee the authority to approve additional permissible non-audit services to be performed by the independent auditor, provided that the full Audit Committee shall be informed of such approval at its next scheduled meeting.

All services performed by D&T in fiscal 2013 were pre-approved by the Audit Committee pursuant to the foregoing pre-approval policy.

**The Board of Directors recommends that the stockholders vote FOR Proposal 2.**

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**PROPOSAL 3 TO ADOPT THE COMPANY S 2014 OMNIBUS INCENTIVE PLAN**

The Company adopted the Altra Holdings, Inc. 2004 Equity Incentive Plan (as amended, the Prior Plan ), effective November 21, 2004, which is expiring in 2014. As of March 11, 2014, there were 265,103 shares subject to outstanding awards under the Prior Plan. Also as of March 11, 2014, there were 636,384 shares remaining available for grants of additional awards under the Prior Plan, which will no longer be available upon stockholder approval of the Altra Industrial Motion Corp. 2014 Omnibus Incentive Plan (the Plan ). Further, there will be no grants made under Prior Plan between March 11, 2014 and stockholder approval of the Plan.

On February 12, 2014, the Board of Directors of the Company unanimously adopted, subject to stockholder approval at the Annual Meeting, the Altra Industrial Motion Corp. 2014 Omnibus Incentive Plan (the Plan ) under which 750,000 shares of common stock will be available for grant. The Board of Directors believes it is advisable to have 750,000 shares available for issuance in order to provide awards that are designed to attract and retain qualified directors, executive personnel and other key employees and consultants and to provide long-term incentive rewards to those selected individuals intended to align the interests of such individuals with those of our stockholders. In making its determination regarding the reserve of 750,000 shares available under the Plan, the Board of Directors also considered many factors, including but not limited to the life of the share reserve based on the historic share usage rate, shareholder dilution and overhang resulting from grants under the Plan, and the expected level of shareholder value transfer.

This proposal is being submitted to stockholders in order to ensure the Plan s compliance with the NASDAQ market rules relating to stockholder approval of equity compensation plans, as well as to ensure the Plan s compliance with Section 162(m) of the Internal Revenue Code of 1986 (as amended, the Code ) with respect to any performance-vested awards that may be granted under the plan and the requirements under the Code for the grant of incentive stock options.

**Summary of the Plan**

The following is a general description of the terms and conditions of the Plan and does not purport to be complete. All such statements are qualified in their entirety by reference to the full text of the Plan, which is filed herewith as Annex A.

*Purpose.* The purpose of the Plan is to assist us, including our subsidiaries and other designated affiliates, in attracting, motivating, retaining and rewarding high-quality executives and other key employees, officers, directors, consultants and other persons who provide services to us, by enabling such persons to acquire or increase a proprietary interest in us in order to strengthen the mutuality of interests between such persons and our stockholders, and providing such persons with performance incentives to expend their maximum efforts in the creation of stockholder value.

*Shares Available for Awards; Annual Per-Person Limitations.* Under the Plan, the total number of shares of common stock available for delivery pursuant to the grant of awards ( Awards ) shall be 750,000. Shares of our common stock subject to Awards or awarded under the Prior Plan and outstanding as of the effective date of the Plan (except for substitute awards) that terminate without being exercised, expire, are forfeited or canceled, are exchanged for Awards that do not involve shares of common stock, are not issued on the stock settlement of a stock appreciation right, are withheld by the Company or tendered by a participant (either actually or by attestation) to pay an option exercise price or to pay the withholding tax on any Award, or are settled in cash in lieu of shares will again be available for Awards under the Plan. Any shares of our common stock that are subject to Awards shall be counted against this limit as one (1) share of common stock for every one (1) share granted. Any shares of our common stock delivered under the Plan may consist, in whole or in part, of authorized and unissued shares or treasury shares.

The Plan imposes individual limitations on the amount of certain Awards in part to comply with Section 162(m) of the Code. Under these limitations, during any fiscal year of the Company during any part of which the Plan is in effect, no Participant may be granted, subject to certain adjustments, and only to the extent

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such Awards are intended to be performance-based compensation under Section 162(m) of the Code (i) options or stock appreciation rights with respect to more than 200,000 shares or (ii) restricted stock, deferred stock, performance shares and/or other stock-based Awards with respect to more than 150,000 shares. The foregoing limits shall be multiplied by two for Awards granted to a participant in the year the participant commences his or her employment with the Company. To the extent such Awards are intended to be performance-based compensation under Section 162(m) of the Code (x) the maximum dollar value payable in any fiscal year to any one participant with respect to performance units for any performance period is \$1,500,000 multiplied by the number of full years in the performance period and (y) the maximum dollar value payable in any fiscal year to any one participant with respect to any cash award (other than a performance unit), is \$2,500,000. Also, the aggregate grant date fair value (computed as of the date of grant in accordance with applicable financial accounting rules) of all Awards granted to any non-employee director during any single calendar year (excluding Awards made at the election of the Director in lieu of all or a portion of annual and committee cash retainers) shall not exceed \$200,000. In addition, the number of shares available under the Plan for grants of incentive stock options is 500,000.

The Compensation Committee is authorized to adjust the limitations described in the two preceding paragraphs and any outstanding Awards (including adjustments to exercise prices of options and other affected terms of Awards) in the event that an extraordinary dividend or other distribution (whether in cash, shares of our common stock or other property), recapitalization, forward or reverse split, reorganization, merger, consolidation, spin-off, combination, repurchase, share exchange or other similar corporate transaction or event affects our common stock so that an adjustment is appropriate. The Compensation Committee is also authorized to adjust performance conditions and other terms of Awards in response to these kinds of events or in response to changes in applicable laws, regulations or accounting principles.

*Eligibility.* The persons eligible to receive Awards under the Plan are the officers, directors, employees, consultants and other persons who provide services to us. An employee on leave of absence may be considered as still in the employ of us for purposes of eligibility for participation in the Plan. We presently have five non-employee directors, seven executive officers and executive officer directors, and approximately 3,810 full-time employees. We cannot determine the number of independent contractors and consultants eligible to receive grants. It is not possible to state the number of persons who will receive grants because the selection of participants rests within the discretion of the Compensation Committee.

*Administration.* The Plan is to be administered by the Compensation Committee except to the extent the Board of Directors elects to administer the Plan, in which case the Plan shall be administered by only those Directors who are independent. Subject to the terms of the Plan, the Compensation Committee is authorized to select eligible persons to receive Awards, determine the type, number and other terms and conditions of, and all other matters relating to, Awards, prescribe Award agreements (which need not be identical for each Participant), and the rules and regulations for the administration of the Plan, construe and interpret the Plan and Award agreements, correct defects, supply omissions or reconcile inconsistencies therein, and make all other decisions and determinations as the Compensation Committee may deem necessary or advisable for the administration of the Plan.

*Stock Options and Stock Appreciation Rights.* The Compensation Committee is authorized to grant stock options, including both incentive stock options ( ISOs ), which can result in potentially favorable tax treatment to the participant, and non-qualified stock options, and stock appreciation rights entitling the participant to receive the amount by which the fair market value of a share of our common stock on the date of exercise exceeds the grant price of the stock appreciation right. The exercise price per share of common stock subject to an option and the grant price of a stock appreciation right are determined by the Compensation Committee, but will not be less than the fair market value of a share of our common stock on the date of grant. For purposes of the Plan, the term fair market value means the fair market value of a share of our common stock, under procedures established by the Compensation Committee in a manner permitted under Section 409A and the regulations issued thereunder. The maximum term of each option or stock appreciation right, the times at which each option or stock appreciation right will be exercisable, and provisions requiring forfeiture of unexercised

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options or stock appreciation rights at or following termination of employment generally are fixed by the Compensation Committee, except that no option or stock appreciation right may have a term exceeding ten years, subject to a thirty day extension if the exercise of the option or stock appreciation right would be prohibited on such expiration date. . Methods of exercise and settlement and other terms of the stock appreciation right are determined by the Compensation Committee. Options may be exercised by payment of the exercise price in cash, shares of common stock, outstanding Awards or other property (including loans to participants if permissible under applicable law) having a fair market value equal to the exercise price, as the Compensation Committee may determine from time to time.

*Prohibition on Repricing Options and Stock Appreciation Rights.* Other than in connection with a change in control, extraordinary dividend, other distribution, recapitalization, reorganization, merger, repurchase, share exchange, liquidation, dissolution, other similar corporate transactions, and certain adjustments permitted under the Code, the Compensation Committee is not permitted, without stockholder approval, to (i) lower the exercise price per share or grant price per share, respectively, of an option or stock appreciation right, after it has been granted; (ii) cancel an option or stock appreciation right when the exercise price per share or grant price per share, respectively, exceeds the fair market value of one share in exchange for cash or another Award; or (iii) take any other action with respect to an option or stock appreciation right that would be treated as a repricing.

*Restricted and Deferred Stock.* The Compensation Committee is authorized to grant restricted stock and deferred stock. Restricted stock is a grant of shares of common stock which may not be sold or disposed of and which shall be subject to such risks of forfeiture and other restrictions as the Compensation Committee may impose. A participant granted restricted stock generally has all of the rights of a stockholder of the Company, unless otherwise determined by the Compensation Committee. An Award of deferred stock confers upon a participant the right to receive shares of common stock at the end of a specified deferral period, subject to such risks of forfeiture and other restrictions as the Compensation Committee may impose. Prior to settlement, an Award of deferred stock carries no voting or dividend rights or other rights associated with share ownership, although dividend equivalents may be granted, as discussed below.

*Dividend Equivalents.* The Compensation Committee is authorized to grant dividend equivalents conferring on participants the right to receive, currently or on a deferred basis, cash, shares of common stock, other Awards or other property equal in value to dividends paid on a specific number of shares of common stock or other periodic payments, except that any dividends and/or dividend equivalents with respect to Awards which vest based on the achievement of performance goals shall be accumulated until such Award is earned and such dividend and/or dividend equivalents shall not be paid if the performance goals are not satisfied. Dividend equivalents may be granted alone or in connection with another Award, may be paid currently or on a deferred basis and, if deferred, may be deemed to have been reinvested in additional shares of common stock, Awards, other investment vehicles, or otherwise as specified by the Compensation Committee.

*Bonus Stock and Awards in Lieu of Cash Obligations.* The Compensation Committee is authorized to grant shares of common stock as a bonus free of restrictions, or to grant shares of common stock or other Awards in lieu of our obligations to pay cash under the Plan or other plans or compensatory arrangements, subject to such terms as the Compensation Committee may specify.

*Other Stock-Based Awards.* The Compensation Committee or the Board is authorized to grant Awards that are denominated or payable in, valued by reference to, or otherwise based on or related to shares of our common stock. The Compensation Committee or the Board determines the terms and conditions of such Awards.

*Performance Awards.* The Compensation Committee is authorized to grant performance awards to participants on terms and conditions established by the Compensation Committee. The terms and conditions of any Performance Award granted under the Plan shall be set forth in an Award Agreement which shall contain provisions determined by the Compensation Committee and not inconsistent with the Plan, provided that dividend /dividend equivalents accumulated will not be paid until performance goal achievement. The

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performance criteria to be achieved during any performance period and the length of the performance period is determined by the Compensation Committee upon the grant of the performance award. Performance awards may be valued by reference to a designated number of shares (in which case they are referred to as performance shares) or by reference to a designated amount of property including cash (in which case they are referred to as performance units). Performance awards may be settled by delivery of cash, shares of our common stock or other property, or any combination thereof, as determined by the Compensation Committee. Performance awards granted to persons whom the Compensation Committee expects will, for the year in which a deduction arises, be covered employees (as defined below) will, if and to the extent intended by the Compensation Committee, be subject to provisions that should qualify such Awards as performance-based compensation not subject to the limitation on tax deductibility by us under Code Section 162(m). For purposes of Section 162(m), the term covered employee means the CEO, and each Named Executive Officer whose compensation is required to be reported by reason of being among the four highest compensated officers for the fiscal year (other than the CEO and CFO). If and to the extent required under Section 162(m) of the Code, any power or authority relating to a performance award intended to qualify under Section 162(m) of the Code is to be exercised by the Compensation Committee.

If and to the extent that the Compensation Committee determines that these provisions of the Plan are to be applicable to any Award, one or more of the following business criteria for us, on a consolidated basis, or for our business or geographical units (except with respect to the total stockholder return and earnings per share criteria), shall be used by the Compensation Committee in establishing performance goals for awards under the Plan: (1) earnings per share; (2) revenues or margins; (3) royalties; (4) cash flow; (5) operating margin; (6) return on assets, net assets, investment, capital, operating revenue or equity; (7) economic value added; (8) direct contribution; (9) income; net income; pretax earnings; earnings before interest and taxes; earnings before interest, taxes, depreciation and amortization; earnings after interest expense and before extraordinary or special items; operating income; net operating income; income before interest income or expense, unusual items and income taxes, local, state or federal and excluding budgeted and actual bonuses which might be paid under any of our ongoing bonus plans; (10) working capital or working capital management, including without limitation inventory turnover, working capital turns, days payable outstanding and days sales outstanding; (11) management of fixed costs or variable costs; (12) identification or consummation of investment opportunities or completion of specified projects in accordance with corporate business plans, including strategic mergers, acquisitions or divestitures; (13) total stockholder return; (14) debt reduction; (15) market share; (16) entry into new markets, either geographically or by business unit; (17) customer retention and satisfaction; (18) strategic plan development and implementation, including turnaround plans; and (19) stock price. Any of the above goals may be determined on an absolute or relative basis (e.g. growth in earnings per share) or as compared to the performance of a published or special index deemed applicable by the Compensation Committee including, but not limited to, the Standard & Poor's 500 Stock Index or a group of companies that are comparable to us. The Compensation Committee shall exclude the impact of an event or occurrence which the Compensation Committee determines should appropriately be excluded, including without limitation (i) restructurings, discontinued operations, extraordinary items, and other unusual or non-recurring charges, (ii) an event either not directly related to our operations or not within reasonable control of our management, or (iii) a change in accounting standards required by generally accepted accounting principles. The Compensation Committee may, in its discretion, determine that the amount payable as a performance award will be reduced from the amount of any potential Award.

*Other Terms of Awards.* Awards may be settled in the form of cash, shares of common stock, other Awards or other property, in the discretion of the Compensation Committee. The Compensation Committee may require or permit participants to defer the settlement of all or part of an Award in accordance with such terms and conditions as the Compensation Committee may establish, including payment or crediting of interest or dividend equivalents on deferred amounts. The Compensation Committee is authorized to place cash, shares of our common stock or other property in trusts or make other arrangements to provide for payment of our obligations under the Plan. The Compensation Committee may condition any payment relating to an Award on the withholding of taxes and may provide that a portion of any shares of common stock or other property to be



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distributed will be withheld (or previously acquired shares of common stock or other property be surrendered by the participant) to satisfy withholding and other tax obligations. The Compensation Committee may, however, grant Awards in exchange for other Awards under the Plan, awards under our other plans, or other rights to payment from us and may grant Awards in addition to and in tandem with such other Awards, rights or other awards.

*Acceleration of Vesting; Change in Control.* The Compensation Committee may, in its discretion, accelerate the exercisability, the lapsing of restrictions or the expiration of deferral or vesting periods of any Award, and such accelerated exercisability, lapse, expiration, except in the event that a successor entity assumes or substitutes an Award. If so provided in the Award agreement or otherwise determined by the Compensation Committee, vesting shall occur automatically in the case of a change in control of us, as defined in the Plan (including the cash settlement of stock appreciation rights, which may be exercisable in the event of a change in control). In addition, the Compensation Committee may provide in an Award agreement that the performance goals relating to any performance award will be deemed to have been met upon the occurrence of any change in control.

*Restrictions on Transfer.* Awards granted under the Plan generally may not be pledged or encumbered and are not transferable except by will or by the laws of descent and distribution, or to a designated beneficiary upon the participant's death, except that the Compensation Committee may, in its discretion, permit transfers without consideration only, to one or more beneficiaries or other transferees during the participant's lifetime subject to any restrictions imposed by the Committee. Awards under the Plan are generally granted without a requirement that the participant pay consideration in the form of cash or property for the grant (as distinguished from the exercise), except to the extent required by law.

*Amendment and Termination.* The Board of Directors may amend, alter, suspend, discontinue or terminate the Plan or the Compensation Committee's authority to grant Awards without further stockholder approval, except stockholder approval must be obtained for (i) any amendment or alteration if such approval is required by law or regulation or under the rules of any stock exchange or market on which shares of our common stock are then listed, and (ii) with respect to repricing, as set forth under *Prohibition on Repricing Options and Stock Appreciation Rights*, above. Thus stockholder approval may not necessarily be required for every amendment to the Plan that might increase the cost of the Plan or alter the eligibility of persons to receive Awards. Stockholder approval will not be required under laws or regulations, such as those relating to incentive stock option, that condition favorable treatment of participants on such approval, although the board of directors may, in its discretion, seek stockholder approval in any circumstance in which it deems such approval advisable. Unless earlier terminated by the board of directors, the Plan will terminate at the earliest of (a) such time as no shares of our common stock remain available for issuance under the Plan, (b) termination of the Plan by the board of directors, or (c) the tenth anniversary of the date the Plan was approved by the board of directors. Awards outstanding upon expiration of the Plan shall remain in effect until they have been exercised or terminated, or have expired.

*Clawback.* Under the Plan, Awards will be subject to such deductions and clawback as may be required to be made pursuant to laws, government regulations, or stock exchange listing requirements, and any policy adopted by the Company pursuant to any such law, government regulation or stock exchange listing requirement.

**Federal Income Tax Consequences of Awards**

The Plan is not qualified under the provisions of Section 401(a) of the Code and is not subject to any of the provisions of the Employee Retirement Income Security Act of 1974. The following is a general summary of certain U.S. federal income tax consequences to U.S. participants with respect to Awards granted under the Plan based on the law as currently in effect. This discussion applies to participants who are citizens or residents of the U.S. and a U.S. taxpayer.

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### **Nonqualified Stock Options**

On exercise of a nonqualified stock option granted under the Plan, an optionee will recognize ordinary income equal to the excess, if any, of the fair market value on the date of exercise of the shares of stock acquired on exercise of the option over the exercise price. If the optionee is our employee or an employee of a related entity, as defined in the Plan, that income will be subject to the withholding of federal income tax. The optionee's tax basis in those shares will be equal to their fair market value on the date of exercise of the option, and his or her holding period for those shares will begin on that date.

If an optionee pays for shares of stock on exercise of an option by delivering shares of our common stock, the optionee will not recognize gain or loss on the shares delivered, even if their fair market value at the time of exercise differs from the optionee's tax basis in them. The optionee, however, otherwise will be taxed on the exercise of the option in the manner described above as if he had paid the exercise price in cash. If a separate identifiable stock certificate is issued for that number of shares equal to the number of shares delivered on exercise of the option, the optionee's tax basis in the shares represented by that certificate will be equal to his tax basis in the shares delivered, and his or her holding period for those shares will include his or her holding period for the shares delivered. The optionee's tax basis and holding period for the additional shares received on exercise of the option will be the same as if the optionee had exercised the option solely in exchange for cash.

We will be entitled to a deduction for federal income tax purposes equal to the amount of ordinary income taxable to the optionee, provided that amount constitutes an ordinary and necessary business expense for us and is reasonable in amount, and either the employee includes that amount in income or we timely satisfy our reporting requirements with respect to that amount.

### **Incentive Stock Options**

The Plan provides for the grant of stock options that qualify as incentive stock options as defined in Section 422 of the Code, which we refer to as ISOs. Under the Code, an optionee generally is not subject to tax upon the grant or exercise of an ISO. In addition, if the optionee holds a share received on exercise of an ISO for at least two years from the date the option was granted and at least one year from the date the option was exercised, which we refer to as the Required Holding Period, the difference, if any, between the amount realized on a sale or other taxable disposition of that share and the holder's tax basis in that share will be long-term capital gain or loss.

If, however, an optionee disposes of a share acquired on exercise of an ISO before the end of the Required Holding Period, which we refer to as a Disqualifying Disposition, the optionee generally will recognize ordinary income in the year of the Disqualifying Disposition equal to the excess, if any, of the fair market value of the share on the date the ISO was exercised over the exercise price. If, however, the Disqualifying Disposition is a sale or exchange on which a loss, if realized, would be recognized for Federal income tax purposes, and if the sales proceeds are less than the fair market value of the share on the date of exercise of the option, the amount of ordinary income recognized by the optionee will not exceed the gain, if any, realized on the sale. If the amount realized on a Disqualifying Disposition exceeds the fair market value of the share on the date of exercise of the option, that excess will be short-term or long-term capital gain, depending on whether the holding period for the share exceeds one year.

An optionee who exercises an ISO by delivering shares of common stock acquired previously pursuant to the exercise of an ISO before the expiration of the Required Holding Period for those shares is treated as making a Disqualifying Disposition of those shares. This rule prevents pyramiding in connection with the exercise of an ISO (that is, exercising an ISO for one share and using that share, and others so acquired, to exercise successive ISOs) without the imposition of current income tax.

For purposes of the alternative minimum tax, the amount by which the fair market value of a share of common stock acquired on exercise of an ISO exceeds the exercise price of that option generally will be an adjustment included in the optionee's alternative minimum taxable income for the year in which the option is

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exercised. If, however, there is a Disqualifying Disposition of the share in the year in which the option is exercised, there will be no adjustment with respect to that share. If there is a Disqualifying Disposition in a later year, no income with respect to the Disqualifying Disposition is included in the optionee's alternative minimum taxable income for that year. In computing alternative minimum taxable income, the tax basis of a share acquired on exercise of an ISO is increased by the amount of the adjustment taken into account with respect to that share for alternative minimum tax purposes in the year the option is exercised.

We are not allowed an income tax deduction with respect to the grant or exercise of an ISO or the disposition of a share acquired on exercise of an ISO after the Required Holding Period. However, if there is a Disqualifying Disposition of a share, we are allowed a deduction in an amount equal to the ordinary income includible in income by the optionee, provided that amount constitutes an ordinary and necessary business expense for us and is reasonable in amount, and either the employee includes that amount in income or we timely satisfy our reporting requirements with respect to that amount.

## **Stock Awards**

Generally, the recipient of a stock award will recognize ordinary compensation income at the time the stock is received equal to the excess, if any, of the fair market value of the stock received over any amount paid by the recipient in exchange for the stock. If, however, the stock is non-vested when it is received under the Plan (for example, if the employee is required to work for a period of time in order to have the right to sell the stock), the recipient generally will not recognize income until the stock becomes vested, at which time the recipient will recognize ordinary compensation income equal to the excess, if any, of the fair market value of the stock on the date it becomes vested over any amount paid by the recipient in exchange for the stock. If permitted by the Committee, a recipient may, however, file an election with the Internal Revenue Service, within 30 days of his or her receipt of the stock award, to recognize ordinary compensation income, as of the date the recipient receives the award, equal to the excess, if any, of the fair market value of the stock on the date the award is granted over any amount paid by the recipient in exchange for the stock.

The recipient's basis for the determination of gain or loss upon the subsequent disposition of shares acquired as stock awards will be the amount paid for such shares plus any ordinary income recognized either when the stock is received or when the stock becomes vested. Upon the disposition of any stock received as a stock award under the Plan the difference between the sale price and the recipient's basis in the shares will be treated as a capital gain or loss and generally will be characterized as long-term capital gain or loss if the shares have been held for more than one year from the date as of which he or she would be required to recognize any compensation income.

We will be allowed a corresponding federal income tax deduction in an amount equal to the ordinary income recognized by the recipient, provided that the deduction is not otherwise disallowed under the Code.

## **Stock Appreciation Rights**

We may grant stock appreciation rights, which we call SARs, separate from any other award, which we refer to as Stand-Alone SARs, or in tandem with options, which we refer to as Tandem SARs, under the Plan. Generally, the recipient of a Stand-Alone SAR will not recognize any taxable income at the time the Stand-Alone SAR is granted.

With respect to Stand-Alone SARs, if the recipient receives the appreciation inherent in the SARs in cash, the cash will be taxable as ordinary compensation income to the recipient at the time that the cash is received. If the recipient receives the appreciation inherent in the SARs in shares of stock, the recipient will recognize ordinary compensation income equal to the excess of the fair market value of the stock on the day it is received over any amounts paid by the recipient for the stock.

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With respect to Tandem SARs, if the recipient elects to surrender the underlying option in exchange for cash or shares of stock equal to the appreciation inherent in the underlying option, the tax consequences to the recipient will be the same as discussed above relating to the Stand-Alone SARs. If the recipient elects to exercise the underlying option, the holder will be taxed at the time of exercise as if he or she had exercised a nonqualified stock option (discussed above), i.e., the recipient will recognize ordinary income for federal tax purposes measured by the excess of the then fair market value of the shares of stock over the exercise price.

In general, there will be no federal income tax deduction allowed to us upon the grant or termination of Stand-Alone SARs or Tandem SARs. Upon the exercise of either a Stand-Alone SAR or a Tandem SAR, however, we will be entitled to a deduction for federal income tax purposes equal to the amount of ordinary income that the employee is required to recognize as a result of the exercise, provided that the deduction is not otherwise disallowed under the Code.

## **Dividend Equivalents**

Generally, the recipient of a dividend equivalent award will recognize ordinary compensation income at the time the dividend equivalent award is received equal to the fair market value of the dividend equivalent award received. With respect to Awards based on the achievement of performance goals, dividends /dividend equivalents accumulated will not be paid until performance goal achievement. We generally will be entitled to a deduction for federal income tax purposes equal to the amount of ordinary income that the employee is required to recognize as a result of the dividend equivalent award, provided that the deduction is not otherwise disallowed under the Code.

## **Section 409A**

Section 409A of the Code, enacted as part of the American Jobs Creation Act of 2004, imposes requirements applicable to nonqualified deferred compensation plans, including rules relating to the timing of deferral elections and elections with regard to the form and timing of benefit distributions, prohibitions against the acceleration of the timing of distributions, and the times when distributions may be made, as well as rules that generally prohibit the funding of nonqualified deferred compensation plans in offshore trusts or upon the occurrence of a change in the employer's financial health. These rules generally apply with respect to deferred compensation that becomes earned and vested on or after January 1, 2005. If a nonqualified deferred compensation plan subject to Section 409A fails to meet, or is not operated in accordance with, these requirements, then all compensation deferred under the plan is or becomes immediately taxable to the extent that it is not subject to a substantial risk of forfeiture and was not previously taxable. The tax imposed as a result of these rules would be increased by interest at a rate equal to the rate imposed upon tax underpayments plus one percentage point, and an additional tax equal to 20% of the compensation required to be included in income. Some of the Awards to be granted under the Plan may constitute deferred compensation subject to the Section 409A requirements, including, without limitation, deferred stock. It is intended that any Award agreement that will govern Awards subject to Section 409A will comply with these rules.

## **Section 162 Limitations**

The Omnibus Budget Reconciliation Act of 1993 added Section 162(m) to the Code, which generally disallows a public company's tax deduction for compensation to covered employees in excess of \$1 million in any tax year beginning on or after January 1, 1994. Compensation that qualifies as performance-based compensation is excluded from the \$1 million deductibility cap, and therefore remains fully deductible by the company that pays it. We intend that options granted to employees whom the Compensation Committee expects to be covered employees at the time a deduction arises in connection with such options will (and that other awards may be structured in a manner that may) qualify as such performance-based compensation, so that such options will not be subject to the Section 162(m) deductibility cap of \$1 million and that other performance-based awards under the Plan may be structured so as not to be subject to that limitation. Future changes in

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Section 162(m) or the regulations thereunder may adversely affect our ability to ensure that options and other awards under the Plan will qualify as performance-based compensation that is fully deductible by us under Section 162(m).

**State and Local Income Taxes**

In addition to U.S. federal income tax, participants may also be subject to U.S. state and local taxes with respect to Awards granted under the Plan.

**PROPOSAL 3 THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THIS PROPOSAL.**

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**PROPOSAL 4. ADVISORY VOTE TO APPROVE THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS ( SAY ON PAY )**

**Background of the Proposal**

The Dodd-Frank Act requires all public companies to hold a separate non-binding advisory stockholder vote to approve the compensation of named executive officers as described in the Compensation Discussion and Analysis, the executive compensation tables and any related information in each such company's proxy statement (commonly known as a "Say on Pay" proposal). Pursuant to Section 14A of the Securities Exchange Act of 1934, as amended, we are holding a separate non-binding advisory vote to approve Say on Pay at the Annual Meeting.

**Say on Pay Proposal**

As discussed in the "Compensation Discussion and Analysis" section of this proxy statement, our executive compensation program is primarily structured to compensate our executives at competitive levels, with the opportunity to earn above-median compensation for above-market performance as compared to our peer group. We compensate our executives through programs that emphasize performance-based incentive compensation in the form of annual cash payments and equity-based awards. We have structured annual cash and long-term non-cash compensation to motivate executives to achieve the business goals set by us and reward the executives for achieving such goals. This approach supports the Company's pay-for-performance philosophy by providing a compensation package that is generally weighted toward variable, performance-based incentives, thus ensuring the highest degree of accountability at the senior levels of the organization. The Board of Directors believes that our compensation program for our named executive officers is appropriately based upon our performance and the individual performance and level of responsibility of the named executive officers. We urge you to read the "Executive Compensation" section of this proxy statement for details on the Company's executive compensation programs.

***The Say on Pay proposal is set forth in the following resolution:***

RESOLVED, that the compensation paid to Altra Industrial Motion Corp.'s named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion is hereby APPROVED.

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

**The Board of Directors recommends that the stockholders vote FOR Proposal 4.**

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**STOCKHOLDER PROPOSALS FOR 2015 ANNUAL MEETING**

**Requirements for Stockholder Proposals to Be Considered for Inclusion in Altra's Proxy Materials**

Any proposal or director nomination that a stockholder wishes to submit for inclusion in Altra's proxy materials for the 2015 Annual Meeting of Stockholders pursuant to and in accordance with Rule 14a-8 of the Exchange Act must be received by Altra not later than November 20, 2014.

**Requirements for Stockholder Proposals to Be Brought Before the Annual Meeting**

Altra's bylaws provide that any proposal or director nomination that a stockholder wishes to propose for consideration at an annual meeting, but does not seek to include in Altra's Proxy Statement and related materials, must be received by the Company no later than the close of business on the 90<sup>th</sup> day nor earlier than the close of business on the 120<sup>th</sup> day prior to the first anniversary of the preceding year's Annual Meeting. Absent specific circumstances set forth in our bylaws, to be considered at the 2015 Annual Meeting such proposal must be delivered to Altra no earlier than December 25, 2014 and no later than January 24, 2015. In addition, any stockholder proposal to Altra must set forth the information required by Altra's bylaws with respect to each matter the stockholder proposes to bring before the annual meeting. The proxy solicited by the Board of Directors for the 2015 Annual Meeting will confer discretionary authority to vote on any proposal presented by a stockholder at the meeting that was not included in the proxy materials for such meeting.

Any stockholder proposals or notices submitted to Altra in connection with the 2015 Annual Meeting should be addressed to: Corporate Secretary, Altra Industrial Motion Corp., 300 Granite Street, Suite 201, Braintree, Massachusetts 02184.

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**Annex A**

**ALTRA INDUSTRIAL MOTION CORP.**

**2014 OMNIBUS INCENTIVE PLAN**

**(Effective as of [\_\_\_\_\_] [\_\_], 2014)**

1. *Purpose.* The purpose of this ALTRA INDUSTRIAL MOTION CORP. 2014 OMNIBUS INCENTIVE PLAN (the *Plan*) is to assist Altra Industrial Motion Corp., a Delaware corporation (the *Company*), and its Related Entities (as hereinafter defined) in attracting, motivating, retaining and rewarding high-quality executives and other key employees, officers, directors, consultants and other persons who provide services to the Company or its Related Entities by enabling such persons to acquire or increase a proprietary interest in the Company in order to strengthen the mutuality of interests between such persons and the Company's shareholders, and providing such persons with performance incentives to expend their maximum efforts in the creation of shareholder value. This Plan was adopted by the Board on February 12, 2014, and replaces in its entirety the Prior Plan, as defined herein.

2. *Definitions.* For purposes of the Plan, the following terms shall be defined as set forth below, in addition to such terms defined in Section 1 hereof.

(a) *Award* means any Option, Stock Appreciation Right, Restricted Stock Award, Deferred Stock Award, Shares granted as a bonus or in lieu of another award, Dividend Equivalent, Other Stock-Based Award, Performance Award, Cash Award or other incentive award payable in cash or Shares or a combination thereof, together with any other right or interest, granted to a Participant under the Plan.

(b) *Award Agreement* means any written or electronic agreement, contract or other instrument or document evidencing any Award granted by the Committee hereunder, which may, but does not need to be, executed by the Company or the Participant.

(c) *Beneficiary* means the person, persons, trust or trusts that have been designated by a Participant in his or her most recent written beneficiary designation filed with the Committee to receive the benefits specified under the Plan upon such Participant's death or to which Awards or other rights are transferred if and to the extent permitted under Section 10(b) hereof. If, upon a Participant's death, there is no designated Beneficiary or surviving designated Beneficiary, then the term Beneficiary means the person, persons, trust or trusts entitled by will or the laws of descent and distribution to receive such benefits.

(d) *Beneficial Owner* shall have the meaning ascribed to such term in Rule 13d-3 under the Exchange Act and any successor to such Rule.

(e) *Board* means the Company's Board of Directors.

(f) *Cash Award* means an Award of cash granted to a Participant under Section 6(j) hereof.

(g) *Cause* shall, with respect to any Participant, have the meaning specified in the Award Agreement. In the absence of an Award Agreement or any definition in the Award Agreement, *Cause* shall have the equivalent meaning or the same meaning as *cause* or *for cause* set forth in any employment, consulting, or other agreement for the performance of services between the Participant and the Company or a Related Entity. In the absence of any such agreement or the absence of a definition of *cause* or *for cause* in any such agreement, such term shall mean (i) the failure by the Participant to perform, in a reasonable manner, his or her duties as assigned by the Company or a Related Entity, (ii) any violation or breach by the Participant of his or her employment, consulting or other similar agreement with the Company or a Related Entity, if any, or any policies and procedures established from time to time by the Company or any Related Entity, (iii) any violation or breach by the Participant of any non-competition, non-solicitation, non-disclosure and/or other similar agreement with the Company or a Related Entity, (iv) any act by the Participant of dishonesty or bad faith



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with respect to the Company or a Related Entity, (v) any involvement by the Participant in fraud, misappropriation or embezzlement related to the business or property of the Company, (vi) use of alcohol, drugs or other similar substances in a manner that adversely affects the Participant's work performance, or (vii) the commission by the Participant of any act, misdemeanor, or crime reflecting unfavorably upon the Participant or the Company or any Related Entity. The good faith determination by the Committee of whether the Participant's Continuous Service was terminated by the Company for Cause shall be final and binding for all purposes hereunder.

(h) **Change in Control** means a Change in Control as defined with related terms in Section 9(b) of the Plan.

(i) **Code** means the Internal Revenue Code of 1986, as amended from time to time, including regulations thereunder and successor provisions and regulations thereto.

(j) **Committee** means the Company Compensation Committee, and any committee designated thereafter by the Compensation Committee, to administer the Plan. If the Compensation Committee seeks to designate a separate committee to administer the Plan, that committee shall consist of at least two directors, and each member of the committee shall be (i) a non-employee director within the meaning of Rule 16b-3 (or any successor rule) under the Exchange Act, unless administration of the Plan by non-employee directors is not then required in order for exemptions under Rule 16b-3 to apply to transactions under the Plan, (ii) an outside director within the meaning of Section 162(m) of the Code, and (iii) Independent.

(k) **Consultant** means any person (other than an Employee or a Director, solely with respect to rendering services in such person's capacity as a director) or entity who is engaged by the Company or any Related Entity to render consulting or advisory services to the Company or such Related Entity.

(l) **Continuous Service** means the uninterrupted active provision of services to the Company or any Related Entity in any capacity of Employee, Director, Consultant or other service provider. Continuous Service shall not be considered to be interrupted in the case of (i) any approved leave of absence, (ii) transfers among the Company, any Related Entities, or any successor entities, in any capacity of Employee, Director, Consultant or other service provider, or (iii) any change in status as long as the individual remains in the service of the Company or a Related Entity in any capacity of Employee, Director, Consultant or other service provider (except as otherwise may be provided in an Award Agreement). An approved leave of absence shall include sick leave, military leave, or any other authorized personal leave.

(m) **Covered Employee** means an Eligible Person who is or is likely to be a covered employee within the meaning of Section 162(m)(3) of the Code, or any successor provision thereto.

(n) **Deferred Stock** means a right to receive Shares, including Restricted Stock, cash or a combination thereof, at the end of a specified deferral period.

(o) **Deferred Stock Award** means an Award of Deferred Stock granted to a Participant under Section 6(e) hereof.

(p) **Director** means a member of the Board or the board of directors of any Related Entity.

(q) **Disability** shall, with respect to any Participant, have the meaning specified in the Award Agreement. In the absence of an Award Agreement or any definition in an Award Agreement, Disability means a permanent and total disability (within the meaning of Section 22(e) of the Code), as determined by a medical doctor satisfactory to the Committee.

(r) **Dividend Equivalent** means a right, granted to a Participant under Section 6(g) hereof, to receive cash, Shares, other Awards or other property equal in value to dividends paid with respect to a specified number of Shares, or other periodic payments.

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(s) **Effective Date** means the date on which the shareholders of the Company eligible to vote in the election of directors, by a vote sufficient to meet the requirements of Code Sections 162(m) (if applicable) and 422, Rule 16b-3 under the Exchange Act (if applicable), applicable requirements under the rules of the Nasdaq or any national securities exchange on which any securities of the Company are listed for trading, and other laws, regulations, and obligations of the Company applicable to the Plan, approve the Plan.

(t) **Eligible Person** means each officer, Director, Employee, Consultant and other person who provides services to the Company or any Related Entity. The foregoing notwithstanding, only employees of the Company, or any parent corporation or subsidiary corporation of the Company (as those terms are defined in Sections 424(e) and (f) of the Code, respectively), shall be Eligible Persons for purposes of receiving any Incentive Stock Options. An Employee who is on an approved leave of absence (including sick leave, military leave, or any other authorized personal leave) may be considered as still in the employ of the Company or a Related Entity for purposes of eligibility for participation in the Plan.

(u) **Employee** means any person, including an officer or Director, who is an employee of the Company or any Related Entity. The payment of a director's fee by the Company or a Related Entity shall not be sufficient to constitute employment by the Company.

(v) **Exchange Act** means the Securities Exchange Act of 1934, as amended from time to time, including rules thereunder and successor provisions and rules thereto.

(w) **Fair Market Value** means as of any date that requires the determination of the Fair Market Value of a Share under this Plan or any Award Agreement, the fair market value of a Share on such date of determination, calculated by the Committee in a manner permitted under Section 409A of the Code and the regulations issued thereunder, including as follows:

(i) if the Shares are then listed or admitted to trading on the Nasdaq or other national securities exchange which reports closing sale prices, the Fair Market Value shall be determined based upon the closing sale price per Share on the trading day before or the trading day of the date of determination, the arithmetic mean of the high and low prices on the trading day before or the trading day of the date of determination or the average selling price during a specified period that is within 30 days before or 30 days after the applicable valuation date (provided that before the Committee applies such average selling price valuation method, it must irrevocably commit to grant the Option or Stock Appreciation Right with an exercise price determined by applying such method before the beginning of the specified period);

(ii) If the Shares are not then listed or admitted to trading on the Nasdaq or another securities exchange which reports closing sale prices, the Fair Market Value shall be the average of the closing bid and asked prices of the Shares in the over-the-counter market on such day of the date of determination; or

(iii) If neither (i) nor (ii) is applicable as of such date, then the Fair Market Value shall be determined by the Committee in good faith using any reasonable method of valuation, which determination shall be conclusive and binding on all interested parties.

For the avoidance of doubt, when approving or authorizing an Award, the Committee can provide for the grant of an Award at a future date and in such event the determination of Fair Market Value as required under this Plan shall be as of such date of grant.

(x) **Good Reason** shall, with respect to any Participant, have the meaning specified in the Award Agreement. In the absence of an Award Agreement or any definition in the Award Agreement, **Good Reason** shall have the equivalent meaning or the same meaning as **good reason** or **for good reason** set forth in any employment, consulting or other agreement for the performance of services between the Participant and the Company or a Related Entity. In the absence of any such agreement or the absence of a definition of **good reason** or **for good reason** in any such agreement, such term shall mean (i) the assignment to the Participant of any substantial duties or responsibilities inconsistent in any material respect with the Participant's duties or

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responsibilities as assigned by the Company or a Related Entity, excluding for this purpose any action not taken in bad faith and which is remedied by the Company or a Related Entity promptly after receipt of notice thereof given by the Participant; (ii) any material failure by the Company or a Related Entity to comply with its obligations to the Participant as agreed upon, other than any failure not occurring in bad faith and which is remedied by the Company or a Related Entity promptly after receipt of notice thereof given by the Participant; or (iii) the Company's or Related Entity's requiring the Participant to be based at any office or location outside of fifty miles from the location of employment or service as of the date of Award, except for travel reasonably required in the performance of the Participant's responsibilities.

(y) **Incentive Stock Option** means any Option granted under and in accordance with the terms of Section 6(b), that meets the requirements of Section 422 of the Code or any successor provision thereto and is designated by the Committee in the applicable Award Agreement as an Incentive Stock Option.

(z) **Independent**, when referring to either the members of the Board or members of the Committee, shall have the same meaning as used in the rules of the Nasdaq or any national securities exchange on which any securities of the Company are listed for trading, and if not listed for trading, by the rules of the Nasdaq.

(aa) **Incumbent Board** means the Incumbent Board as defined in Section 9(b)(ii) of the Plan.

(bb) **Option** means a right granted to a Participant under and in accordance with the terms of Section 6(b) hereof, to purchase Shares or other Awards at a specified price during specified time periods.

(cc) **Optionee** means a person to whom an Option is granted under this Plan or any person who succeeds to the rights of such person under this Plan.

(dd) **Other Stock-Based Awards** means Awards granted to a Participant under Section 6(i) hereof.

(ee) **Participant** means a person who was an Eligible Person at the time of grant and has been granted an Award under the Plan that remains outstanding, including a person who is no longer an Eligible Person.

(ff) **Performance Award** shall mean any Award of Performance Shares or Performance Units granted pursuant to Section 6(h).

(gg) **Performance Period** means that period established by the Committee at the time any Performance Award is granted or at any time thereafter during which any performance goals specified by the Committee with respect to such Award are to be measured.

(hh) **Performance Share** means any grant pursuant to Section 6(h) of a unit valued by reference to a designated number of Shares, which value may be paid to the Participant by delivery of such property as the Committee shall determine, including cash, Shares, other property, or any combination thereof, upon achievement of such performance goals during the Performance Period as the Committee shall establish at the time of such grant or thereafter.

(ii) **Performance Unit** means any grant pursuant to Section 6(h) of a unit valued by reference to a designated amount of property (including cash) other than Shares, which value may be paid to the Participant by delivery of such property as the Committee shall determine, including cash, Shares, or any combination thereof, upon achievement of such performance goals during the Performance Period as the Committee shall establish at the time of such grant or thereafter.

(jj) **Person** shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, and shall include a group as defined in Section 13(d) thereof.

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- (kk) **Prior Plan** means the Altra Holdings, Inc. 2004 Equity Incentive Plan, as effective as of November 21, 2004, as amended.
- (ll) **Related Entity** means any Subsidiary, and any business, corporation, partnership, limited liability company or other entity designated by Board in which the Company or a Subsidiary holds a substantial ownership interest, directly or indirectly.
- (mm) **Restricted Stock** means any Share issued with the restriction that the holder may not sell, transfer, pledge or assign such Share and with such risks of forfeiture and other restrictions as the Committee, in its sole discretion, may impose (including any restriction on the right to vote such Share and the right to receive any dividends), which restrictions may lapse separately or in combination at such time or times, in installments or otherwise, as the Committee may deem appropriate.
- (nn) **Restricted Stock Award** means an Award granted to a Participant under Section 6(d) hereof.
- (oo) **Rule 16b-3** means Rule 16b-3, as from time to time in effect and applicable to the Plan and Participants, promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act.
- (pp) **Shareholder Approval Date** means the date, on, before or after the Effective Date, on which this Plan is approved by the shareholders of the Company eligible to vote in the election of Directors, by a vote sufficient to meet the requirements of Code Sections 162(m) (if applicable) and 422, Rule 16b-3 under the Exchange Act (if applicable), applicable requirements under the rules of the Nasdaq or any national securities exchange on which any securities of the Company are listed for trading and other laws, regulations and obligations of the Company applicable to the Plan.
- (qq) **Shares** means the shares of common stock of the Company, par value \$0.001 per share, and such other securities as may be substituted (or resubstituted) for Shares pursuant to Section 10(c) hereof.
- (rr) **Stock Appreciation Right** means a right granted to a Participant under Section 6(c) hereof.
- (ss) **Subsidiary** means any corporation or other entity in which the Company has a direct or indirect ownership interest of 50% or more of the total combined voting power of the then outstanding securities or interests of such corporation or controls the board of directors or in which the Company has the right to receive 50% or more of the distribution of profits or 50% or more of the assets on liquidation or dissolution.
- (tt) **Substitute Awards** shall mean Awards granted or Shares issued by the Company in assumption of, or in substitution or exchange for, awards previously granted, or the right or obligation to make future awards, by a company acquired by the Company or any Related Entity or with which the Company or any Related Entity combines; provided that the terms and conditions of each such Substitute Award (including, without limitation, the exercise price and number of Shares subject to such Substitute Award) shall be determined in accordance with Treasury Regulations section 1.409A-1(b)(5)(v)(D), except with respect to Incentive Stock Options, in which case the terms and conditions of such Substitute Award shall be determined in accordance with Treasury Regulations section 1.424-1(a).

3. *Administration.*

(a) *Authority of the Committee.* The Plan shall be administered by the Committee, except to the extent the Board elects to administer the Plan, in which case the Plan shall be administered by only those Directors who are Independent, in which case references herein to the Committee shall be deemed to include references to the Independent members of the Board. The Committee shall have full and final authority, in its sole discretion but subject to and consistent with the provisions of the Plan, to select Eligible Persons to become Participants, grant Awards, determine the type, number and other terms and conditions of, and all other matters relating to, Awards (including Substitute Awards), prescribe the form of, and prepare, as applicable, Award

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Agreements (which need not be identical for each Participant) and rules and regulations for the administration of the Plan, construe and interpret the Plan, Award Agreements and any other instrument or agreement relating to, or awards made under, the Plan and correct defects, supply omissions or reconcile inconsistencies therein, and to make all other decisions and determinations as the Committee may deem necessary or advisable for the administration of the Plan. The terms and conditions prescribed by the Committee in any Award Agreement may include, in the discretion of the Committee, provisions requiring that a Participant forfeit and/or repay to the Company all or any portion of the value of any Award in the event that the Participant violates any noncompetition, nonsolicitation, confidentiality or other agreement with the Company or any Related Entity. In exercising any discretion granted to the Committee under the Plan or pursuant to any Award, the Committee shall not be required to follow past practices, act in a manner consistent with past practices, or treat any Eligible Person or Participant in a manner consistent with the treatment of other Eligible Persons or Participants.

(b) *Manner of Exercise of Committee Authority.* Notwithstanding anything herein to the contrary, the Committee, and not the Board, shall exercise sole and exclusive discretion on any matter relating to a Participant then subject to Section 16 of the Exchange Act with respect to the Company to the extent necessary in order that transactions by such Participant shall be exempt under Rule 16b-3 under the Exchange Act. Any action of the Committee shall be final, conclusive and binding on all persons, including the Company, its Related Entities, Participants, Beneficiaries, transferees under Section 10(b) hereof or other persons claiming rights from or through a Participant, and shareholders. The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee. The Committee may delegate to officers or managers of the Company or any Related Entity, or committees thereof, the authority, subject to such terms as the Committee shall determine, to perform such functions, including administrative functions, to the extent that such delegation will not result in the loss of an exemption under Rule 16b-3(d)(1) for Awards granted to Participants subject to Section 16 of the Exchange Act in respect of the Company and will not cause Awards intended to qualify as qualified performance-based compensation under Code Section 162(m) to fail to so qualify. The Committee may appoint agents to assist it in administering the Plan.

(c) *Limitation of Liability.* The Committee and the Board, and each member thereof, shall be entitled to, in good faith, rely or act upon any report or other information furnished to him or her by any officer or Employee, the Company's independent auditors, attorneys, Consultants or any other agents assisting in the administration of the Plan. Members of the Committee and the Board, and any officer or Employee acting at the direction or on behalf of the Committee or the Board, shall not be personally liable for any action or determination taken or made in good faith with respect to the Plan, and shall, to the extent permitted by law, be fully indemnified and protected by the Company with respect to any such action or determination.

4. *Shares Subject to Plan.*

(a) *Limitation on Overall Number of Shares Available for Grant Under Plan.* Subject to adjustment as provided in Section 10(c) hereof, the total number of Shares available for grant under the Plan shall be 750,000. Any Shares that are subject to Awards shall be counted against this limit as one (1) Share for every one (1) Share granted. Any Shares delivered under the Plan may consist, in whole or in part, of authorized and unissued shares or treasury shares. Subject to adjustment as provided in Section 10(c) hereof, the total number of Shares available for grants of Incentive Stock Options is 500,000.

(b) *Application of Limitation to Grants of Award.* No Award may be granted if the number of Shares to be delivered in connection with such an Award exceeds the number of Shares remaining available for delivery under the Plan, minus the number of Shares deliverable in settlement of or relating to then outstanding Awards.

(c) *Availability of Shares Not Delivered under Awards and Adjustments to Limits.*

(i) Any Shares that are subject to an Award (except for Substitute Awards), or to an award under the Prior Plan that is outstanding on the Effective Date of the Plan, which terminate without being exercised, expires, is forfeited or canceled, is exchanged for an Award that does not involve Shares, are not

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issued on the stock settlement of a Stock Appreciation Right, is withheld by the Company or tendered by a Participant (either actually or by attestation) to pay an Option exercise price or to pay the withholding tax on any Award, or is settled in cash in lieu of Shares, shall, to the extent of such termination, expiration, forfeiture, cancellation, or exchange for another Award, non-issue, withholding or tender, or such settlement in cash, again be available for Awards under the Plan, subject to Section 4(c)(iv) below. If the Company uses the proceeds from the exercise of an Option to repurchase Shares, the Shares so repurchased shall not be counted for purposes of determining the maximum number of Shares available for grant under the Plan.

(ii) Substitute Awards shall not reduce the Shares authorized for grant under the Plan or authorized for grant to a Participant in any period. Additionally, in the event that a company acquired by the Company or any Related Entity or with which the Company or any Related Entity combines, has shares available under a pre-existing plan approved by shareholders and not adopted in contemplation of such acquisition or combination, the shares available for delivery pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the Shares authorized for delivery under the Plan; provided that Awards using such available shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not Employees or Directors prior to such acquisition or combination.

(iii) Any Shares that again become available for grant pursuant to this Section 4(c) shall be added back as one (1) Share.

(iv) Notwithstanding anything in this Section 4(c) to the contrary and solely for purposes of determining whether Shares are available for the delivery of Incentive Stock Options, the maximum aggregate number of shares that may be granted under this Plan shall be determined without regard to any Shares restored pursuant to this Section 4(c) that, if taken into account, would cause the Plan to fail the requirement under Code Section 422 that the Plan designate a maximum aggregate number of shares that may be issued.

5. *Eligibility; Per-Person Award Limitations.* Awards may be granted under the Plan only to Eligible Persons; provided that Incentive Stock Options may be granted only to Employees. Subject to adjustment as provided in Section 10(c), and only to the extent such Awards are intended to be performance-based compensation under Section 162(m) of the Code, in any fiscal year of the Company during any part of which the Plan is in effect, no Participant may be granted (i) Options or Stock Appreciation Rights with respect to more than 200,000 Shares or (ii) Restricted Stock, Deferred Stock, Performance Shares and/or Other Stock-Based Awards with respect to more than 150,000 Shares. The foregoing limits shall be multiplied by two for Awards granted to a Participant in the year the Participant commences his or her employment with the Company. To the extent such Awards are intended to be performance-based compensation under Section 162(m) of the Code (x) the maximum dollar value payable in any fiscal year to any one Participant with respect to Performance Units for any Performance Period is \$1,500,000 multiplied by the number of full years in the Performance Period and (y) the maximum dollar value payable in any fiscal year to any one Participant with respect to any Cash Award (other than a Performance Unit), is \$2,500,000. The limit in the foregoing sentence shall apply separately to each Performance Period, even though Performance Periods may overlap in time. Notwithstanding any other provision of the Plan to the contrary, the aggregate grant date fair value (computed as of the date of grant in accordance with applicable financial accounting rules) of all Awards granted to any non-employee director during any single calendar year (excluding Awards made at the election of the Director in lieu of all or a portion of annual and committee cash retainers) shall not exceed \$200,000.

6. *Specific Terms of Awards.*

(a) *General.* Awards may be granted on the terms and conditions set forth in this Section 6. In addition, the Committee may impose on any Award or the exercise thereof, at the date of grant or thereafter

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(subject to Section 10(e)), such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine, including terms requiring forfeiture of Awards in the event of termination of the Participant's Continuous Service and terms permitting a Participant to make elections relating to his or her Award. The terms and conditions of each Award granted under the Plan shall be set forth in an Award Agreement which shall contain provisions determined by the Committee and not inconsistent with the Plan; provided, however, that the Committee may grant an Award that is fully vested on the date of grant without an Award Agreement. The Committee shall retain full power and discretion to accelerate, waive or modify, at any time, any term or condition of an Award that is not mandatory under the Plan or that is prohibited by applicable law or securities exchange rule. Except in cases in which the Committee is authorized to require other forms of consideration under the Plan, or to the extent other forms of consideration must be paid to satisfy the requirements of Delaware law, no consideration other than services may be required for the grant (but not the exercise) of any Award.

(b) *Options.* The Committee is authorized to grant Options to any Eligible Person on the following terms and conditions; provided that Incentive Stock Options may be granted only to Employees. Except as provided in Section 6(a), the terms and conditions of any Option granted under the Plan shall be set forth in an Award Agreement which shall contain provisions determined by the Committee and not inconsistent with the Plan.

(i) *Exercise Price.* Other than in connection with Substitute Awards, the exercise price per Share purchasable under an Option shall be determined by the Committee, provided that such exercise price shall not be less than 100% of the Fair Market Value of a Share on the date of grant of the Option. If an Employee owns or is deemed to own (by reason of the attribution rules applicable under Section 424(d) of the Code) more than 10% of the combined voting power of all classes of stock of the Company (or any parent corporation or subsidiary corporation of the Company, as those terms are defined in Sections 424(e) and (f) of the Code, respectively) and an Incentive Stock Option is granted to such Employee, the exercise price of such Incentive Stock Option (to the extent required by the Code at the time of grant) shall be no less than 110% of the Fair Market Value of a Share on the date such Incentive Stock Option is granted. Other than pursuant to Section 10(c) or in connection with a Change in Control, the Committee shall not be permitted to (A) lower the exercise price per Share of an Option after it is granted, (B) cancel an Option when the exercise price per Share exceeds the Fair Market Value of the underlying Shares in exchange for cash or another Award, or (C) take any other action with respect to an Option that may be treated as a repricing, without approval of the Company's shareholders.

(ii) *Time and Method of Exercise.* The Committee shall determine the time or times at which or the circumstances under which an Option may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the time or times at which Options shall cease to be or become exercisable following termination of Continuous Service or upon other conditions, the methods by which the exercise price may be paid or deemed to be paid (including in the discretion of the Committee a cashless exercise procedure to the extent that it does not violate the prohibition on personal loans to executive officers and Directors imposed by the Sarbanes-Oxley Act of 2002), the form of such payment, including, without limitation, cash, Shares, other Awards or awards granted under other plans of the Company or a Related Entity, or other property (including notes or other contractual obligations of Participants to make payment on a deferred basis provided that such deferred payments are not in violation of the Sarbanes-Oxley Act of 2002, or any rule or regulation adopted thereunder or any other applicable law), and the methods by or forms in which Shares will be delivered or deemed to be delivered to Participants. In addition, the term of each Option shall be fixed by the Committee, but shall not exceed 10 years from the date of grant thereof. Except as otherwise provided for in the Award Agreement, if a Participant's Option is scheduled to expire on a date on which the exercise of the Option would be prohibited because of any state or federal securities laws, the rules of any securities exchange or interdealer quotations system, any government regulation, Company lock-up agreements, or Company policies and regulations, then the Participant's expiration date for such Option, and such Option only, shall be automatically extended for thirty (30) calendar days from the end of such prohibition.

(iii) *Incentive Stock Options.* The terms of any Incentive Stock Option granted under the Plan shall comply in all respects with the provisions of Section 422 of the Code. Anything in the Plan to the contrary

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notwithstanding, no term of the Plan relating to Incentive Stock Options (including any Stock Appreciation Right issued in tandem therewith) shall be interpreted, amended or altered, nor shall any discretion or authority granted under the Plan be exercised, so as to disqualify either the Plan or any Incentive Stock Option under Section 422 of the Code, unless the Participant has first requested, or consents to, the change that will result in such disqualification. Thus, if and to the extent required to comply with Section 422 of the Code, Options granted as Incentive Stock Options shall be subject to the following special terms and conditions:

(A) if a Participant owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than 10% of the combined voting power of all classes of stock of the Company (or any parent corporation or subsidiary corporation of the Company, as those terms are defined in Sections 424(e) and (f) of the Code, respectively) and the Incentive Stock Option is granted to such Participant, the term of the Incentive Stock Option shall be (to the extent required by the Code at the time of the grant) for no more than five years from the date of grant; and

(B) the aggregate Fair Market Value (determined as of the date the Incentive Stock Option is granted) of the Shares with respect to which Incentive Stock Options granted under the Plan and all other option plans of the Company (and any parent corporation or subsidiary corporation of the Company, as those terms are defined in Sections 424(e) and (f) of the Code, respectively) during any calendar year exercisable for the first time by the Participant during any calendar year shall not (to the extent required by the Code at the time of the grant) exceed \$100,000.

(c) *Stock Appreciation Rights.* The Committee may grant Stock Appreciation Rights to any Eligible Person in conjunction with all or part of any Option granted under the Plan or at any subsequent time during the term of such Option (a Tandem Stock Appreciation Right ), or without regard to any Option (a Freestanding Stock Appreciation Right ). Except as provided in Section 6(a), the terms and conditions of any Stock Appreciation Rights granted under the Plan shall be set forth in an Award Agreement which shall contain provisions determined by the Committee and not inconsistent with the Plan, including the following:

(i) *Right to Payment.* A Stock Appreciation Right shall confer on the Participant to whom it is granted a right to receive, upon exercise thereof, the excess of (A) the Fair Market Value of one Share on the date of exercise over (B) the grant price of the Stock Appreciation Right as determined by the Committee. Other than in connection with Substitute Awards, the grant price of a Stock Appreciation Right shall not be less than the Fair Market Value of a Share on the date of grant, in the case of a Freestanding Stock Appreciation Right, or less than the associated Option exercise price, in the case of a Tandem Stock Appreciation Right. Other than pursuant to Section 10(c) or in connection with a Change in Control, the Committee shall not be permitted to (A) lower the grant price per Share of a Stock Appreciation Right after it is granted, (B) cancel a Stock Appreciation Right when the grant price per Share exceeds the Fair Market Value of the underlying Shares in exchange for cash or another Award, or (C) take any other action with respect to a Stock Appreciation Right that may be treated as a repricing, without shareholder approval. A Freestanding Stock Appreciation Right shall not be exercisable before the expiration of one year from the date of grant, except under certain circumstances contemplated by Section 9 or as may be set forth in an Award Agreement with respect to the death or Disability of a Participant. In addition, the term of each Stock Appreciation Right shall be fixed by the Committee, but shall not exceed 10 years from the date of grant thereof. Except as otherwise provided for in the Award Agreement, if a Participant's Stock Appreciation Right is scheduled to expire on a date on which the exercise of the Stock Appreciation Right would be prohibited because of any state or federal securities laws, the rules of any securities exchange or interdealer quotations system, any government regulation, Company lock-up agreements, or Company policies and regulations, then the Participant's expiration date for such Stock Appreciation Right, and such Stock Appreciation Right only, shall be automatically extended for thirty (30) calendar days from the end of such prohibition.

(ii) *Other Terms.* The Committee shall determine at the date of grant or thereafter, the time or times at which and the circumstances under which a Stock Appreciation Right may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the time or times at which Stock Appreciation Rights shall cease to be or become exercisable following termination of Continuous



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Service or upon other conditions, the method of exercise, method of settlement, form of consideration payable in settlement (recognizing that settlement in cash or property other than Shares may cause the Award to be treated as a liability and therefore subject to potentially unfavorable financial accounting treatment), method by or forms in which Shares will be delivered or deemed to be delivered to Participants, whether or not a Stock Appreciation Right shall be in tandem or in combination with any other Award, and any other terms and conditions of any Stock Appreciation Right.

(iii) *Tandem Stock Appreciation Rights.* Any Tandem Stock Appreciation Right may be granted at the same time as the related Option is granted or, for Options that are not Incentive Stock Options, at any time thereafter before exercise or expiration of such Option. Any Tandem Stock Appreciation Right related to an Option may be exercised only when the related Option would be exercisable and the Fair Market Value of the Shares subject to the related Option exceeds the exercise price at which Shares can be acquired pursuant to the Option. In addition, if a Tandem Stock Appreciation Right exists with respect to less than the full number of Shares covered by a related Option, then an exercise or termination of such Option shall not reduce the number of Shares to which the Tandem Stock Appreciation Right applies until the number of Shares then exercisable under such Option equals the number of Shares to which the Tandem Stock Appreciation Right applies. Any Option related to a Tandem Stock Appreciation Right shall no longer be exercisable to the extent the Tandem Stock Appreciation Right has been exercised, and any Tandem Stock Appreciation Right shall no longer be exercisable to the extent the related Option has been exercised.

(d) *Restricted Stock Awards.* The Committee is authorized to grant Restricted Stock Awards to any Eligible Person on the following terms and conditions:

(i) *Grant and Restrictions.* Restricted Stock Awards shall be subject to such restrictions on transferability, risk of forfeiture and other restrictions, if any, as the Committee may impose, or as otherwise provided in this Plan, covering a period of time specified by the Committee (the Restriction Period). Except as provided in Section 6(a), the terms and conditions of any Restricted Stock Award granted under the Plan shall be set forth in an Award Agreement, which shall contain provisions determined by the Committee and not inconsistent with the Plan. The restrictions may lapse separately or in combination at such times, under such circumstances (including based on achievement of performance goals and/or future service requirements), in such installments or otherwise, as the Committee may determine at the date of grant or thereafter. Except to the extent restricted under the terms of the Plan and any Award Agreement relating to a Restricted Stock Award, a Participant granted Restricted Stock shall have all of the rights of a shareholder, including the right to vote the Restricted Stock and, subject to Section 6(d)(iv) below, the right to receive dividends thereon.

During the Restriction Period, subject to Section 10(b) below, the Restricted Stock may not be sold, transferred, pledged, hypothecated, margined or otherwise encumbered by the Participant.

(ii) *Forfeiture.* Except as otherwise determined by the Committee, upon termination of a Participant's Continuous Service during the applicable Restriction Period, the Participant's Restricted Stock that is at that time subject to a risk of forfeiture that has not lapsed or otherwise been satisfied shall be forfeited and reacquired by the Company; provided that the Committee may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, that forfeiture conditions relating to Restricted Stock Awards shall be waived in whole or in part in the event of terminations resulting from specified causes.

(iii) *Certificates for Stock.* Restricted Stock granted under the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Stock are registered in the name of the Participant, the Committee may require that such certificates bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Restricted Stock, that the Company retain physical possession of the certificates, and that the Participant deliver a stock power to the Company, endorsed in blank, relating to the Restricted Stock.

(iv) *Dividends and Splits.* As a condition to the grant of a Restricted Stock Award, the Committee may require or permit a Participant to elect that any cash dividends paid on a Share of Restricted

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Stock be automatically reinvested in additional Shares of Restricted Stock or applied to the purchase of additional Awards under the Plan. Unless otherwise determined by the Committee, Shares distributed in connection with a stock split or stock dividend, and other property distributed as a dividend, shall be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Stock with respect to which such Shares or other property have been distributed. Any dividends with respect to Restricted Stock Awards which vest based on the achievement of performance goals shall be accumulated until such Award is earned and such dividends shall not be paid if the performance goals are not satisfied.

(e) *Deferred Stock Award.* The Committee is authorized to grant Deferred Stock Awards to any Eligible Person on the following terms and conditions:

(i) *Award and Restrictions.* Satisfaction of a Deferred Stock Award shall occur upon expiration of the deferral period specified for such Deferred Stock Award by the Committee (or, if permitted by the Committee, as elected by the Participant). In addition, a Deferred Stock Award shall be subject to such restrictions (which may include a risk of forfeiture) as the Committee may impose, if any, which restrictions may lapse at the expiration of the deferral period or at earlier specified times (including based on achievement of performance goals and/or future service requirements), separately or in combination, in installments or otherwise, as the Committee may determine. Except as provided in Section 6(a), the terms and conditions of any Deferred Stock Award granted under the Plan shall be set forth in an Award Agreement which shall contain provisions determined by the Committee and not inconsistent with the Plan. A Deferred Stock Award may be satisfied by delivery of Shares, cash equal to the Fair Market Value of the specified number of Shares covered by the Deferred Stock, or a combination thereof, as determined by the Committee at the date of grant or thereafter. Prior to satisfaction of a Deferred Stock Award, a Deferred Stock Award carries no voting or dividend or other rights associated with Share ownership.

(ii) *Forfeiture.* Except as otherwise determined by the Committee, upon termination of a Participant's Continuous Service during the applicable deferral period or portion thereof to which forfeiture conditions apply (as provided in the Award Agreement evidencing the Deferred Stock Award), the Participant's Deferred Stock Award that is at that time subject to a risk of forfeiture that has not lapsed or otherwise been satisfied shall be forfeited; provided that the Committee may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, that forfeiture conditions relating to a Deferred Stock Award shall be waived in whole or in part in the event of terminations resulting from specified causes, and the Committee may in other cases waive in whole or in part the forfeiture of any Deferred Stock Award.

(iii) *Dividend Equivalents.* Unless otherwise determined by the Committee at date of grant, any Dividend Equivalents that are granted with respect to any Deferred Stock Award shall be either (A) paid with respect to such Deferred Stock Award at the dividend payment date in cash or in Shares of unrestricted stock having a Fair Market Value equal to the amount of such dividends, or (B) deferred with respect to such Deferred Stock Award and the amount or value thereof automatically deemed reinvested in additional Deferred Stock, other Awards or other investment vehicles, as the Committee shall determine or permit the Participant to elect; provided that any Dividend Equivalents with respect to Deferred Stock Awards which vest based on the achievement of performance goals shall be accumulated until such Award is earned and such Dividend Equivalents shall not be paid if the performance goals are not satisfied.

(f) *Bonus Stock and Awards in Lieu of Obligations.* The Committee is authorized to grant Shares to any Eligible Persons as a bonus, or to grant Shares or other Awards in lieu of obligations to pay cash or deliver other property under the Plan or under other plans or compensatory arrangements, provided that, in the case of Eligible Persons subject to Section 16 of the Exchange Act, the amount of such grants remains within the discretion of the Committee to the extent necessary to ensure that acquisitions of Shares or other Awards are exempt from liability under Section 16(b) of the Exchange Act. Shares or Awards granted hereunder shall be subject to such other terms as shall be determined by the Committee. Except as provided in Section 6(a), the terms and conditions of any Shares or Awards granted hereunder shall be set forth in an Award Agreement which shall contain provisions determined by the Committee and not inconsistent with the terms of the Plan. Any

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dividends with respect to Shares granted to any Eligible Persons as a bonus, or Shares granted in lieu of obligations to pay cash or deliver other property under the Plan or under other plans or compensatory arrangements, which vest based on the achievement of performance goals, shall be accumulated until such Award is earned and such dividends shall not be paid if the performance goals are not satisfied.

(g) *Dividend Equivalents.* The Committee is authorized to grant Dividend Equivalents to any Eligible Person entitling the Eligible Person to receive cash, Shares, other Awards, or other property equal in value to the dividends paid with respect to a specified number of Shares, or other periodic payments. Dividend Equivalents may be awarded on a free-standing basis or in connection with another Award. The Committee may provide that Dividend Equivalents shall be paid or distributed when accrued or shall be deemed to have been reinvested in additional Shares, Awards, or other investment vehicles, and subject to such restrictions on transferability and risks of forfeiture, as the Committee may specify. Except as provided in Section 6(a), the terms and conditions of any award of Dividend Equivalents under the Plan shall be set forth in an Award Agreement which shall contain provisions determined by the Committee and not inconsistent with the Plan, provided that any Dividend Equivalents with respect to Awards which vest based on the achievement of performance goals shall be accumulated until such Award is earned and such Dividend Equivalents shall not be paid if the performance goals are not satisfied.

(h) *Performance Awards.* The Committee is authorized to grant Performance Awards to any Eligible Person payable in cash, Shares, or other Awards, or a combination thereof, on terms and conditions established by the Committee, subject to the provisions of Section 8 if and to the extent that the Committee shall, in its sole discretion, determine that an Award shall be subject to those provisions. Except as provided in Section 6(a), the amount, terms and conditions of any Performance Award granted under the Plan shall be set forth in an Award Agreement which shall contain provisions determined by the Committee and not inconsistent with the terms of the Plan, provided that any dividends and/or Dividend Equivalents with respect to Awards which vest based on the achievement of performance goals shall be accumulated until such Award is earned and such dividend and/or Dividend Equivalents shall not be paid if the performance goals are not satisfied. The performance goals to be achieved during any Performance Period and the length of the Performance Period shall be determined by the Committee upon the grant of each Performance Award. The Committee shall determine whether, and the extent to which, the applicable performance goals have been achieved or satisfied and the amount of the Performance Awards that will be distributed based upon such determination. Except as provided in Section 9 or provided in an Award Agreement, Performance Awards will be distributed only after the end of the relevant Performance Period. The performance goals to be achieved for each Performance Period may be based upon the criteria set forth in Section 8(b), or in the case of an Award that the Committee determines shall not be subject to Section 8 hereof, any other criteria that the Committee, in its sole discretion, shall determine should be used for that purpose. Performance Awards may be paid in a lump sum or in installments or, in accordance with procedures established by the Committee, on a deferred basis.

(i) *Other Stock-Based Awards.* The Committee is authorized, subject to limitations under applicable law, to grant to any Eligible Person such other Awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Shares, as deemed by the Committee to be consistent with the purposes of the Plan. Other Stock-Based Awards may be granted to Participants either alone or in addition to other Awards granted under the Plan, and such Other Stock-Based Awards shall also be available as a form of payment in the settlement of other Awards granted under the Plan. Except as provided in Section 6(a), the terms and conditions of such Awards granted under the Plan shall be set forth in an Award Agreement which shall contain provisions determined by the Committee and not inconsistent with the terms of the Plan. Shares delivered pursuant to an Award in the nature of a purchase right granted under this Section 6(i) shall be purchased for such consideration (including without limitation loans from the Company or a Related Entity and cashless exercise programs, provided that such loans and cashless exercise programs are not in violation of the Sarbanes-Oxley Act of 2002, or any rule or regulation adopted thereunder or prohibiting personal loans to executive officers and Directors of the Company and certain Related Entities under any other applicable law), paid for at such times, by such methods, and in such forms, including, without limitation, cash, Shares,

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other Awards or other property, as the Committee shall determine. Notwithstanding the foregoing, any dividends and/or Dividend Equivalents with respect to Other Stock-Based Awards which vest based on the achievement of performance goals shall be accumulated until such Award is earned and such dividends and/or Dividend Equivalents shall not be paid if the performance goals are not satisfied, except that the Participant shall have the right to vote any Shares distributed with respect to an Other Stock-Based Award in connection with a stock split or stock dividend.

(j) *Cash-Based Awards.* The Committee is authorized to grant Cash Awards to any Eligible Persons as a bonus, such amount of cash to remain within the discretion of the Committee. Cash Awards granted hereunder shall be subject to such other terms and conditions as shall be determined by the Committee. Except as provided in Section 6(a), the terms and conditions, if any, of any Cash Award granted under the Plan shall be set forth in an Award Agreement which shall contain provisions determined by the Committee and not inconsistent with the terms of the Plan.

7. *Certain Provisions Applicable to Awards.*

(a) *Stand-Alone, Additional, Tandem, and Substitute Awards.* Awards granted under the Plan may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution or exchange for, any other Award or any award granted under another plan of the Company, any Related Entity, or any business entity to be acquired by the Company or a Related Entity, or any other right of a Participant to receive payment from the Company or any Related Entity. Such additional, tandem, and substitute or exchange Awards may be granted at any time. If an Award is granted in substitution or exchange for another Award or award, the Committee shall require the surrender of such other Award or award in consideration for the grant of the new Award. In addition, Awards may be granted in lieu of cash compensation, including in lieu of cash amounts payable under other plans of the Company or any Related Entity, in which the value of Stock subject to the Award is equivalent in value to the cash compensation (for example, Deferred Stock or Restricted Stock).

(b) *Term of Awards.* The term of each Award shall be for such period as may be determined by the Committee; provided that in no event shall the term of any Option or Stock Appreciation Right exceed a period of ten years (or in the case of an Incentive Stock Option such shorter term as may be required under Section 422 of the Code).

(c) *Form and Timing of Payment Under Awards; Deferrals.* Subject to the terms of the Plan and any applicable Award Agreement, payments to be made by the Company or a Related Entity upon the exercise of an Option or other Award or settlement of an Award may be made in such forms as the Committee shall determine, including, without limitation, cash, Shares, other Awards or other property, and may be made in a single payment or transfer, in installments, or on a deferred basis. Any installment or deferral provided for in the preceding sentence shall, however, be subject to the Company's compliance with the provisions of the Sarbanes-Oxley Act of 2002, the rules and regulations adopted by the Securities and Exchange Commission thereunder, and all applicable rules of the Nasdaq or any national securities exchange on which the Company's securities are listed for trading and, if not listed for trading on either the Nasdaq or a national securities exchange, then the rules of the Nasdaq. Installment or deferred payments may be required by the Committee (subject to Section 10(e) of the Plan, including the consent provisions thereof in the case of any deferral of an outstanding Award not provided for in the original Award Agreement) or permitted at the election of the Participant on terms and conditions established by the Committee. Payments may include, without limitation, provisions for the payment or crediting of a reasonable interest rate on installment or deferred payments or the grant or crediting of Dividend Equivalents, (provided that any dividends and/or Dividend Equivalents with respect to the grant of an Award, which vests based on the achievement of performance goals, shall be accumulated until such Award is earned and such dividends and/or Dividend Equivalents shall not be paid if the performance goals are not satisfied), or other amounts in respect of installment or deferred payments denominated in Shares.

(d) *Exemptions from Section 16(b) Liability.* It is the intent of the Company that the grant of any Awards to or other transaction by a Participant who is subject to Section 16 of the Exchange Act shall be exempt

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from Section 16 pursuant to an applicable exemption (except for transactions acknowledged in writing to be non-exempt by such Participant). Accordingly, if any provision of this Plan or any Award Agreement does not comply with the requirements of Rule 16b-3 then applicable to any such transaction, such provision shall be construed or deemed amended to the extent necessary to conform to the applicable requirements of Rule 16b-3 so that such Participant shall avoid liability under Section 16(b).

(e) *Code Section 409A*. Notwithstanding any other provision of the Plan or an Award Agreement to the contrary, to the extent that the Committee determines that any Award granted under the Plan is subject to Section 409A of the Code, it is the intent of the parties to the applicable Award Agreement that such Award Agreement incorporate the terms and conditions necessary to avoid the consequences specified in Section 409A(a)(1) of the Code and that such Award Agreement and the terms of the Plan as applicable to such Award be interpreted and construed in compliance with Section 409A of the Code and the Treasury regulations and other interpretive guidance issued thereunder. Notwithstanding the foregoing, the Company shall not be required to assume any increased economic burden in connection therewith.

8. *Code Section 162(m) Provisions.*

(a) *Covered Employees*. If the Committee, in its discretion, determines at the time a Performance Award is granted to an Eligible Person who is, or is likely to be, as of the end of the tax year in which the Company would claim a tax deduction in connection with such Performance Award, a Covered Employee, that such Performance Award should constitute qualified performance-based compensation for purposes of Section 162(m) of the Code, then the provisions of this Section 8 shall be applicable to such Performance Award.

(b) *Performance Criteria*. If the Committee intends that a Performance Award should constitute qualified performance-based compensation for purposes of Section 162(m) of the Code, then the lapsing of restrictions thereon and the distribution of cash, Shares or other property pursuant thereto, as applicable, shall be contingent upon achievement of one or more objective performance goals. Performance goals shall be objective and shall otherwise meet the requirements of Section 162(m) of the Code and regulations thereunder including the requirement that the level or levels of performance targeted by the Committee result in the achievement of performance goals being substantially uncertain. One or more of the following business criteria for the Company, on a consolidated basis, and/or for Related Entities, or for business or geographical units of the Company and/or a Related Entity (except with respect to the total shareholder return and earnings per share criteria), shall be used by the Committee in establishing performance goals for such Awards: (1) earnings per share; (2) revenues or margins; (3) royalties; (4) cash flow; (5) operating margin; (6) return on assets, net assets, investment, capital, operating revenue or equity; (7) economic value added; (8) direct contribution; (9) income; net income; pretax earnings; earnings before interest and taxes; earnings before interest, taxes, depreciation and amortization; earnings after interest expense and before extraordinary or special items; operating income; net operating income; income before interest income or expense, unusual items and income taxes, local, state or federal and excluding budgeted and actual bonuses which might be paid under any ongoing bonus plans of the Company; (10) working capital or working capital management, including without limitation inventory turnover, working capital turns, days payable outstanding and days sales outstanding; (11) management of fixed costs or variable costs; (12) identification or consummation of investment opportunities or completion of specified projects in accordance with corporate business plans, including strategic mergers, acquisitions or divestitures; (13) total shareholder return; (14) debt reduction; (15) market share; (16) entry into new markets, either geographically or by business unit; (17) customer retention and satisfaction; (18) strategic plan development and implementation, including turnaround plans; and (19) stock price. Any of the above criteria may be measured on an absolute or relative basis (e.g. growth in earnings per share) or as compared to the performance of a published or special index deemed applicable by the Committee including, but not limited to, the Standard & Poor's 500 Stock Index or a group of companies that are comparable to the Company. The Committee may exclude the impact of an event or occurrence which the Committee determines should appropriately be excluded, including without limitation (i) restructurings, discontinued operations, extraordinary items, and other unusual or non-recurring charges, (ii) an event either not directly related to the operations of the Company or not within the reasonable control of the Company's management, or (iii) a change in accounting standards required by generally accepted accounting principles.

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(c) *Performance Period; Timing For Establishing Performance Goals.* Achievement of performance goals in respect of such Performance Awards shall be measured over a Performance Period, as specified by the Committee. Performance goals shall be established not later than the earlier of (i) 90 days after the beginning of any Performance Period applicable to such Performance Awards, or (ii) the date on which 25% of the days in the Performance Period have elapsed, or at such other date as may be required or permitted for qualified performance-based compensation under Code Section 162(m). The Committee, in its discretion, may, but need not, establish different Performance Periods and different performance goals with respect to one or more Participants.

(d) *Adjustments.* The Committee may, in its discretion, reduce the amount of a settlement otherwise to be made in connection with Awards subject to this Section 8, but may not exercise discretion to increase any such amount payable to a Covered Employee in respect of an Award subject to this Section 8. The Committee shall specify the circumstances in which such Awards shall be paid or forfeited in the event of termination of Continuous Service by the Participant prior to the end of a Performance Period or settlement of Awards.

(e) *Committee Certification.* No Participant shall receive any payment under the Plan unless the Committee has certified, by resolution or other appropriate action in writing, that the performance goals and any other material terms previously established by the Committee or set forth in the Plan, have been satisfied to the extent necessary to qualify as qualified performance based compensation under Code Section 162(m).

(f) *Shareholder Reapproval of Performance Criteria.* If and to the extent required in order to qualify as performance based compensation under Code Section 162(m), the performance criteria set forth in paragraph (a) of this Section 8 and any other material terms of the performance goals used to measure Performance Awards subject to this Section 8, shall be disclosed to and reapproved by shareholders of the Company not later than the first meeting of shareholders of the Company that occurs in the fifth year following the year in which the Company's shareholders previously approved the performance goals.

### 9. *Change in Control.*

(a) *Effect of Change in Control.* Subject to Section 9(a)(iv), and if and only to the extent provided in the Award Agreement, or to the extent otherwise determined by the Committee, upon the occurrence of a Change in Control:

(i) Any Option or Stock Appreciation Right that was not previously vested and exercisable as of the time of the Change in Control shall become immediately vested and exercisable, subject to applicable restrictions set forth in Section 10(a) hereof.

(ii) Any restrictions, deferral of settlement, and forfeiture conditions applicable to a Restricted Stock Award, Deferred Stock Award or an Other Stock-Based Award subject only to future service requirements granted under the Plan shall lapse and such Awards shall be deemed fully vested as of the time of the Change in Control, except to the extent of any waiver by the Participant and subject to applicable restrictions set forth in Section 10(a) hereof.

(iii) All Performance Awards shall be (x) considered to be earned and payable based on achievement of performance goals or based on target performance (either in full or pro rata based on the portion of Performance Period completed as of the date of the Change in Control), and any limitations or other restrictions shall lapse and such Performance Awards shall be immediately settled or distributed or (y) converted into Restricted Stock or Other Stock-Based Awards based on achievement of performance goals or based on target performance (either in full or pro rata based on the portion of Performance Period completed as of the date of the Change in Control) that are subject to clause (iv) below.

(iv) Notwithstanding the foregoing, if in the event of a Change in Control the successor company assumes or substitutes for an Option, Stock Appreciation Right, Restricted Stock Award, Deferred

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Stock Award, or Other Stock-Based Award, then no outstanding Option, Stock Appreciation Right, Restricted Stock Award, Deferred Stock Award or Other Stock-Based Award shall be accelerated as described in Sections 9(a)(i), (ii) and (iii). For the purposes of this Section 9(a)(iv), an Option, Stock Appreciation Right, Restricted Stock Award, Deferred Stock Award, or Other Stock-Based Award shall be considered assumed or substituted for if following the Change in Control the award confers the right to purchase or receive, for each Share subject to the Option, Stock Appreciation Right, Restricted Stock Award, Deferred Stock Award, or Other Stock-Based Award immediately prior to the Change in Control, the consideration (whether stock, cash or other securities or property) received in the transaction constituting a Change in Control by holders of Shares for each Share held on the effective date of such transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares); provided, however, that if such consideration received in the transaction constituting a Change in Control is not solely common stock of the successor company or its parent or subsidiary, the Committee may, with the consent of the successor company or its parent or subsidiary, provide that the consideration to be received upon the exercise or vesting of an Option, Stock Appreciation Right, Restricted Stock Award, Deferred Stock Award, or Other Stock-Based Award, for each Share subject thereto, will be solely common stock of the successor company or its parent or subsidiary substantially equal in fair market value to the per share consideration received by holders of Shares in the transaction constituting a Change in Control. The determination of such substantial equality of value of consideration shall be made by the Committee in its sole discretion and its determination shall be conclusive and binding. Notwithstanding the foregoing, on such terms and conditions as may be set forth in an Award Agreement, in the event of a termination of a Participant's employment in such successor company (other than for Cause or without Good Reason) within 24 months following such Change in Control, each Award held by such Participant at the time of the Change in Control shall be accelerated in accordance with the terms of the respective Award Agreement or as determined by the Committee, in its discretion.

(b) *Definition of Change in Control* . A Change in Control shall mean the occurrence of any of the following:

- (i) The acquisition by any Person of Beneficial Ownership (within the meaning of Rule 13d-3 or 14(d)(2) promulgated under the Exchange Act) of more than fifty percent (50%), directly or indirectly, of either (A) the then outstanding shares of common stock of the Company (the Outstanding Company Common Stock ) or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the Outstanding Company Voting Securities) (the foregoing Beneficial Ownership hereinafter being referred to as a Controlling Interest ); provided, however, that for purposes of this Section 9(b), the following acquisitions shall not constitute or result in a Change of Control: (v) any acquisition directly from the Company; (w) any acquisition by the Company; (x) any acquisition by any Person that as of the Effective Date owns Beneficial Ownership of a Controlling Interest; (y) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary; or (z) any acquisition by any corporation pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (iii) below; or
- (ii) During any one-year period (not including any period prior to the Effective Date) individuals who constitute the Board as of the beginning of such one-year period (the Incumbent Board ) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or
- (iii) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction involving the Company or any of its Subsidiaries, a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or stock of another entity by the

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Company or any of its Subsidiaries (each a Business Combination), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities who were the Beneficial Owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than fifty percent (50%) of the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination or any Person that as of the Effective Date owns Beneficial Ownership of a Controlling Interest) beneficially owns, directly or indirectly, fifty percent (50%) or more of the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (C) at least a majority of the members of the Board of Directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

10. *General Provisions.*

(a) *Compliance With Legal and Other Requirements.* The Company may, to the extent deemed necessary or advisable by the Committee, postpone the issuance or delivery of Shares or payment of other benefits under any Award until completion of such registration or qualification of such Shares or other required action under any federal or state law, rule or regulation, listing or other required action with respect to any stock exchange or automated quotation system upon which the Shares or other Company securities are listed or quoted, or compliance with any other obligation of the Company, as the Committee, may consider appropriate, and may require any Participant to make such representations, furnish such information and comply with or be subject to such other conditions as it may consider appropriate in connection with the issuance or delivery of Shares or payment of other benefits in compliance with applicable laws, rules, and regulations, listing requirements, or other obligations.

(b) *Limits on Transferability; Beneficiaries.* No Award or other right or interest granted under the Plan shall be pledged, hypothecated or otherwise encumbered or subject to any lien, obligation or liability of such Participant to any party, or assigned or transferred by such Participant otherwise than by will or the laws of descent and distribution or to a Beneficiary upon the death of a Participant, and such Awards or rights that may be exercisable shall be exercised during the lifetime of the Participant only by the Participant or his or her guardian or legal representative, except that Awards and other rights (other than Incentive Stock Options and Stock Appreciation Rights in tandem therewith) may be transferred, without consideration only, to one or more Beneficiaries or other transferees during the lifetime of the Participant, and may be exercised by such transferees in accordance with the terms of such Award, but only if and to the extent such transfers are permitted by the Committee pursuant to the express terms of an Award Agreement (subject to any terms and conditions which the Committee may impose thereon). A Beneficiary, transferee, or other person claiming any rights under the Plan from or through any Participant shall be subject to all terms and conditions of the Plan and any Award Agreement applicable to such Participant, except as otherwise determined by the Committee, and to any additional terms and conditions deemed necessary or appropriate by the Committee.

(c) *Adjustments.*

(i) *Adjustments to Awards.* In the event that any extraordinary dividend or other distribution (whether in the form of cash, Shares, or other property), recapitalization, forward or reverse split, reorganization,



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merger, consolidation, spin-off, combination, repurchase, share exchange, liquidation, dissolution or other similar corporate transaction or event affects the Shares and/or such other securities of the Company or any other issuer such that a substitution, exchange, or adjustment is determined by the Committee to be appropriate, then the Committee shall, in such manner as it may deem equitable, substitute, exchange or adjust any or all of (A) the number and kind of Shares which may be delivered in connection with Awards granted thereafter, (B) the number and kind of Shares by which annual per-person Award limitations are measured under Section 5 hereof, (C) the number and kind of Shares subject to or deliverable in respect of outstanding Awards, (D) the exercise price, grant price or purchase price relating to any Award and/or make provision for payment of cash or other property in respect of any outstanding Award, and (E) any other aspect of any Award that the Committee determines to be appropriate.

(ii) *Other Adjustments.* The Committee (and the Board if and only to the extent such authority is not required to be exercised by the Committee to comply with Section 162(m) of the Code) is authorized to make adjustments in the terms and conditions of, and the performance goals included in, Awards (including Performance Awards, or performance goals relating thereto) in recognition of unusual or nonrecurring events (including, without limitation, acquisitions and dispositions of businesses and assets) affecting the Company, any Related Entity or any business unit, or the financial statements of the Company or any Related Entity, or in response to changes in applicable laws, regulations, accounting principles, tax rates and regulations or business conditions or in view of the Committee's assessment of the business strategy of the Company, any Related Entity or business unit thereof, performance of comparable organizations, economic and business conditions, personal performance of a Participant, and any other circumstances deemed relevant; provided that no such adjustment shall be authorized or made if and to the extent that such authority or the making of such adjustment would cause Options, Stock Appreciation Rights, or Performance Awards granted pursuant to Section 8(b) hereof to Covered Employees and intended to qualify as qualified performance-based compensation under Code Section 162(m) and the regulations thereunder to otherwise fail to qualify as qualified performance-based compensation under Code Section 162(m) and regulations thereunder.

(d) *Taxes.* The Company and any Related Entity are authorized to withhold from any Award granted, any payment relating to an Award under the Plan, including from a distribution of Shares, or any payroll or other payment to a Participant, amounts of withholding and other taxes due or potentially payable in connection with any transaction involving an Award, and to take such other action as the Committee may deem advisable to enable the Company or any Related Entity and Participants to satisfy obligations for the payment of withholding taxes and other tax obligations relating to any Award. This authority shall include authority to withhold or receive Shares (recognizing that if and to the extent that the Shares withheld exceed certain minimum statutory withholding requirements, such withholding may cause the Award to be treated as a liability subject to potential unfavorable financial accounting treatment) or other property and to make cash payments in respect thereof in satisfaction of a Participant's tax obligations, either on a mandatory or elective basis in the discretion of the Committee.

(e) *Changes to the Plan and Awards.* The Board may amend, alter, suspend, discontinue or terminate the Plan, or the Committee's authority to grant Awards under the Plan, without the consent of shareholders or Participants, except as the Committee is limited as set forth in Section 6(b)(i) and 6(c)(i), and that any amendment or alteration to the Plan shall be subject to the approval of the Company's shareholders not later than the annual meeting next following such Board action if such shareholder approval is required by any federal or state law or regulation (including, without limitation, Rule 16b-3 or Code Section 162(m)) or the rules of the Nasdaq or any national securities exchange on which any securities of the Company are listed for trading, and the Board may otherwise, in its discretion, determine to submit other such changes to the Plan to shareholders for approval; provided that, without the consent of an affected Participant, no such Board action may materially and adversely affect the rights of such Participant under any previously granted and outstanding Award. The Committee may waive any conditions or rights under, or amend, alter, suspend, discontinue or terminate any Award theretofore granted and any Award Agreement relating thereto, except as otherwise provided in the Plan; provided that, without the consent of an affected Participant, no such Committee or the Board action may materially and adversely affect the rights of such Participant under such Award.

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(f) *Limitation on Rights Conferred Under Plan.* Neither the Plan nor any action taken hereunder shall be construed as (i) giving any Eligible Person or Participant the right to continue as an Eligible Person or Participant or in the employ or service of the Company or a Related Entity; (ii) interfering in any way with the right of the Company or a Related Entity to terminate any Eligible Person's or Participant's Continuous Service at any time, (iii) giving an Eligible Person or Participant any claim to be granted any Award under the Plan or to be treated uniformly with other Participants and Employees, or (iv) conferring on a Participant any of the rights of a shareholder of the Company unless and until the Participant is duly issued or transferred Shares in accordance with the terms of an Award.

(g) *Unfunded Status of Awards; Creation of Trusts.* The Plan is intended to constitute an unfunded plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant or obligation to deliver Shares pursuant to an Award, nothing contained in the Plan or any Award shall give any such Participant any rights that are greater than those of a general creditor of the Company; provided that the Committee may authorize the creation of trusts and deposit therein cash, Shares, other Awards or other property, or make other arrangements to meet the Company's obligations under the Plan. Such trusts or other arrangements shall be consistent with the unfunded status of the Plan unless the Committee otherwise determines. The trustee of such trusts may be authorized to dispose of trust assets and reinvest the proceeds in alternative investments, subject to such terms and conditions as the Committee may specify and in accordance with applicable law.

(h) *Nonexclusivity of the Plan.* Neither the adoption of the Plan by the Board nor its submission to the shareholders of the Company for approval shall be construed as creating any limitations on the power of the Board or a committee thereof to adopt such other incentive arrangements as it may deem desirable including incentive arrangements and awards which do not qualify under Section 162(m) of the Code.

(i) *Payments in the Event of Forfeitures; Fractional Shares.* Unless otherwise determined by the Committee, in the event of a forfeiture of an Award with respect to which a Participant is paid cash or other consideration, the Participant shall be repaid the amount of such cash or other consideration. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award. The Committee shall determine whether cash, other Awards or other property shall be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

(j) *Governing Law.* The validity, construction and effect of the Plan, any rules and regulations under the Plan, and any Award Agreement shall be determined in accordance with the laws of the State of Delaware without giving effect to principles of conflict of laws, and applicable federal law.

(k) *Non-U.S. Laws.* With respect to any Participant who is resident outside of the U.S., the Committee shall have the authority to adopt such modifications, procedures, Award Agreements and subplans as may be necessary or desirable to comply with provisions of the laws of non-U.S. jurisdictions in which the Company or its Subsidiaries may operate to assure the viability of the benefits from Awards granted to such Participants and to meet the objectives of the Plan.

(l) *Plan Effective Date; Termination of Plan.* The Plan shall become effective on the Effective Date. The Plan shall terminate at the earliest of (a) such time as no Shares remain available for issuance under the Plan, (b) termination of this Plan by the Board, or (c) the tenth anniversary of the Effective Date. Awards outstanding upon expiration of the Plan shall remain in effect until they have been exercised or terminated, or have expired.

(m) *Clawback.* Notwithstanding any other provisions in this Plan, any Award which is subject to recovery under any law, government regulation, or stock exchange listing requirement, will be subject to such deductions and clawback as may be required to be made pursuant to such law, government regulation, or stock exchange listing requirement (or any policy adopted by the Company pursuant to any such law, government regulation or stock exchange listing requirement).

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**DIRECTIONS TO THE  
BOSTON MARRIOTT QUINCY**

**Boston Marriott Quincy  
1000 Marriott Drive,  
Quincy, MA 02169 U.S.A.  
Phone: (617) 472-1000  
Fax: (617) 472-7095**

**FROM LOGAN INTERNATIONAL AIRPORT:**

Take 93 S to Exit #7 (Rt. 3).  
Immediately take Exit 18/19 (Braintree/Quincy).  
Bear left off ramp Exit 19 ( T Station/Quincy).  
Follow to traffic light and turn left onto Center St.  
Take immediate left into Crown Colony Park.  
Hotel is 1/4 mile on left.

**FROM PROVIDENCE AIRPORT:**

I-95 North to I-93 North.  
Take Exit 7, Rt. 3 South (Braintree/Cape Cod).  
Take first Exit 18, turn left off ramp.  
Stay left until traffic light.  
Take left at light, and left into Crown Colony Park.  
Left onto Marriott Drive.

**FROM ROUTE 3 (PLYMOUTH/CAPE COD):**

Take Exit 19.  
Stay left until traffic light.  
Take left at light.  
Left into Crown Colony Park.  
Left onto Marriott Drive

**FROM POINTS WEST:**

From Mass Turnpike (Rt 90): Rt 95 S to 93 N to Exit 7.

Immediately take Exit 18/19 (Braintree/Quincy).

Bear left off ramp Exit 19 ( T Station/Quincy).

Follow to traffic light and turn left onto Center St.

Take immediate left into Crown Colony Park.

Hotel is 1/4 mile on left.

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***ALTRA INDUSTRIAL MOTION CORP.***

***300 Granite Street***

***Suite 201***

***Braintree, MA 02184***

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR  
YOUR RECORDS  
DETACH AND RETURN THIS  
PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

<b>The Board of Directors recommends you vote FOR the following:</b>	<table border="0"> <tr> <td style="padding-right: 10px;"><b>For All</b></td> <td style="padding-right: 10px;"><b>Withhold All</b></td> <td style="padding-right: 10px;"><b>For All Except</b></td> </tr> </table>	<b>For All</b>	<b>Withhold All</b>	<b>For All Except</b>	To withhold authority to vote for any individual nominee(s), mark <b>For All Except</b> and write the number(s) of the nominee(s) on the line below.
<b>For All</b>	<b>Withhold All</b>	<b>For All Except</b>			

1. Election of Directors .. .. ..  
**Nominees**

01 Edmund M. Carpenter	02 Carl R. Christenson	03 Lyle G. Ganske
04 Michael S. Lipscomb	05 Larry McPherson	
06 Thomas W. Swidarski	07 James H. Woodward, Jr.	

**The Board of Directors recommends you vote FOR proposals 2, 3 and 4.** **For Against Abstain**

- |   |    |    |    |
|---|----|----|----|
| 2. To ratify the selection of Deloitte & Touche LLP as Altra Industrial Motion Corp. s independent registered public accounting firm to serve for the fiscal year ending December 31, 2014. | .. | .. | .. |
| 3. To approve the adoption of the Altra Industrial Motion Corp. 2014 Omnibus Incentive Plan.  | .. | .. | .. |
| 4. Advisory vote to approve named executive officer compensation.   | .. | .. | .. |

**NOTE:** In their discretion the proxies are authorized to vote upon such other business as may properly come before the meeting or any postponement or adjournment thereof.

For address ..  
 change/comments, mark here.  
 (see reverse for **Yes No** instructions)

Please indicate if you plan .. ..  
 to attend this meeting  
 Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

Date Date

Signature [PLEASE SIGN  
WITHIN BOX]

Signature (Joint  
Owners)

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**ANNUAL MEETING OF STOCKHOLDERS OF  
ALTRA INDUSTRIAL MOTION CORP.**

**Thursday, April 24, 2014**

**Please date, sign and mail your proxy card in the  
envelope provided as soon as possible, or you can vote  
by internet or phone.**

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:** The Notice & Proxy Statement, Annual Report with 10-K is/are available at [www.proxyvote.com](http://www.proxyvote.com).

**ALTRA INDUSTRIAL MOTION CORP.**

**This proxy is solicited by the Board of Directors**

**Annual Meeting of Stockholders**

**4/24/2014 9:00 AM EDT**

**THIS PROXY, WHEN PROPERLY EXECUTED AND RETURNED IN A TIMELY MANNER, WILL BE VOTED AS YOU SPECIFY ON THE REVERSE SIDE. IF NO CHOICE IS SPECIFIED, THEN THIS PROXY WILL BE VOTED IN FAVOR OF ELECTING THE SEVEN NOMINEES NOTED HEREON TO THE BOARD OF DIRECTORS AND IN FAVOR OF PROPOSALS 2, 3 AND 4. IN THEIR DISCRETION, THE PROXIES APPOINTED HEREIN ARE AUTHORIZED TO VOTE UPON SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE MEETING OR ANY POSTPONEMENT OR ADJOURNMENT THEREOF.**

By signing the proxy, you revoke all prior proxies, acknowledge receipt of the notice of the Annual Meeting of Stockholders to be held April 24, 2014 and the proxy statement, and appoint, Carl R. Christenson and Christian Storch, and each of them with full power of substitution, to vote all shares of Common Stock of Altra Industrial Motion Corp. you are entitled to vote, either on your behalf or on behalf of an entity or entities, at the Annual Meeting of Stockholders of Altra Industrial Motion Corp., to be held on Thursday,



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April 24, 2014, at 9:00 a.m. EDT at The Boston Marriott Quincy, 1000 Marriott Drive, Quincy, Massachusetts 02169, and at any adjournment or postponement thereof, with the same force and effect as if you were personally present thereat.

**Address change/comments:**

(If you noted any Address Changes and/or Comments above, please mark corresponding box on the reverse side.)

**Continued and to be signed on reverse side**