

Investor Day 2007 Transcript

Participants:

Dave Haffner-CEO	Cliff Ransom-Ransom Research
Karl Glassman- EVP, COO	Budd Bugatch-Raymond James
Matt Flanigan- SVP, CFO	Brian DiRubbio-US Trust
Felix Wright-Chairman	Pat Flavin-Flavin Blake & CO
Dave DeSonier- VP of Strategy & IR	Laura Champine-Morgan Keegan
Keith Hughes-SunTrust Robinson Humphrey	Ron Fisher-US Steel
Sean Butkus-Goldman Sachs	David MacGregor-Longbow Research
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Ira Carnahan- T. Rowe Price	Susan Maklari-UBS

DeSonier: I would like to welcome you to Investor Day 2007. For those I haven't met, I am Dave DeSonier, Vice President of Strategy & Investor Relations; we will introduce the rest of the team in a moment. We probably will have about 30-45 minutes of prepared remarks, then we will stay here and answer as many questions as you have for as long as you want. I will remind all of you that if you think of questions later, please feel free to call Susan or me. Susan and I will be back in the office later this afternoon and glad to take any calls. You should have copies of slides in front of you. If you did not see the press release yesterday, we also have copies of those in back and will be glad to get you a copy. If you need one, just raise your hand and Susan will take care of that. For the folks on the web cast, the slides and the press release are both available on the website. I guess with that I will go to the obligatory forward looking statements slide. I know you guys are familiar with this, I will just repeat it for the folks on the web cast. I won't read it, but much of what we will be talking about has to do with future predictions and expectations. As you know, there is a lot of uncertainty and risk about any expectations and forecasts. There is a list of some of those risks here, and I will also refer you to the 10Q. As always the statements we make today are our best beliefs as of today, and we undertake no duty to update them even though we expect we'll be discussing many of these items in the future, as well. With that, I will turn the presentation over to Dave Haffner.

Haffner: (Slide 3) Thank you, Dave. Good morning and thank you for joining us here today. This slide outlines the topics we will be covering. Our presentation today clarifies the fact that Leggett that is changing course, and will clarify why. We've been on extreme rethink of how to create more value, resulting in several significant changes that we can truly be excited about, and are committed to deliver on. While our slide presentation is a significantly condensed representation -- and the topics we've been analyzing may be more than you want or need -- we feel it's important that you understand the depth of our thinking, the logic behind the changes, and our confidence in the expected results. The length of time of this analysis, we think, is directly correlated to the quality of the results.

With us today we have Karl Glassman, EVP and COO; Matt Flanigan, SVP and CFO; Dave DeSonier who you have met; Felix Wright our Chairman of the Board; Susan McCoy, Director of Investor Relations; and Crystal Hacker, who is an analyst on our IR staff. As I said in the press release yesterday, we intend to become better stewards of our shareholder's capital.

(Slide 4) Historically, Leggett has been revenue growth driven, but we have always been mindful of the need for profitability. Going forward, we will be focused on optimizing total shareholder return. And for the next 2 or 3 years, we will focus on improving our returns and increasing our free cash flow of those businesses that stay in our portfolio. In 2010 or so, we expect to profitably grow at a rate greater than GDP while maintaining our total shareholder return focus; we will continue to grow and meet that. Karl and I will talk about some of the acquisition protocol and things as we go forward. But the first phase of this change is to become extremely competent with the businesses that we have in our portfolio.

(Slide 5) So why change? Why are we changing? Because our shareholder returns have suffered, and for the past 2 years, they have been totally unacceptable. I know many of you realize that many of the shares are owned by management and employees, and we clearly understand firsthand that the performance has been unacceptable. Our returns on invested capital have fallen short of acceptable levels in certain of our business units; other business units do just fine. Certain business units' average returns have fallen significantly short of our requirements. Part of the portfolio has dragged us down -- simple mathematics.

(Slide 6) The left side of this slide list some of our strengths. We have always coveted market leadership and will continue to do so in those industries that we stay in. The next two bullet points, low cost converters and product development, are the essence of how we summarize what we do. Often times on an airplane or at some social event, someone will ask, "What does Leggett & Platt do?" I look at my watch and think, "Gosh, this is going to take awhile." I boiled it down and this is my personal summation: we take very ordinary materials and we turn them into extraordinary products. That is effectively what we do, and we are very good at that. We are very customer oriented. We have a global footprint, and we generate a lot of cash.

On the right hand side of this chart, in the spirit of a SWOT-type analysis, we list some of our weaknesses. We've been entirely too patient with certain business units and simultaneously overly optimistic about future results from them. The "we can fix it" attitude is not all bad, and we have fixed a good many things that needed to be fixed. But at times, there are circumstances and influences that keep us from doing so. We recognize that as a weakness, and we are not going to stand for that anymore. We've had less than adequate strategic planning in the past, and we have commenced a much more robust process which will be utilized going forward. We already have two of our business units deeply involved in this more robust process, and over the next year or so, we will have the rest of the business units go through this strategic planning process, which I'll say is a substantially better, more detailed, and more capable process than what we have used in the past.

(Slide 7) This is an agenda slide; it talks about key changes for the next couple of years or so. We will be cleaning up and strengthening our remaining portfolio of businesses. Simultaneously, as I said, we have already begun this more rigorous strategic planning process, and we are putting an extreme priority on total shareholder return. In a few minutes, Karl Glassman will elaborate on the new role-based business unit management practice, the rigors of business unit strategic planning, and our moves to reduce and focus the portfolio while generating better returns on what remains. I will then address our increased dividend and our commitment to continue buybacks, as well as our intentions to pursue profitable growth over the longer term.

(Slide 8) We are going to correlate and measure our success with total shareholder return. We will target Leggett's TSR to be in the top 1/3 of the S&P 500, which would put us in a range of 12-15% TSR per year. Sources of TSR include increased earnings and cash yields, as well as the PE multiples. The first two of those can certainly have an impact on the third. Revenue growth will no longer be our primary focus. We are raising the bar on expectations on acquisitions and lowering our resistance to divestures of businesses that are unacceptable performers. Sales growth – profitable sales growth – is just one of several TSR levers. Starting in 2008, our executive and business unit compensation incentives will be linked directly to TSR and the respective business unit returns. I am going to ask Karl to take over here for a few minutes, and I will be back shortly.

Glassman: **(Slide 9)** Thank you, Dave. Good morning. We appreciate your time and attention in joining us today. Role-based business unit management signifies departure from our historic "one size fits all" style. Each of the business units have been placed in roles based on a number of criteria, such as competitive position, attractiveness of the markets that they participate in, their fit within Leggett or their connectivity, historic and expected future returns, and size and materiality. The distribution of the role placement of the existing business units is depicted on this pie chart. For those of you that don't have easy access to the slides, Grow is 34%, Core 39%, Fix 9% and Divest 18%. Capital spending and acquisitions will be skewed to the "Grow" category because of their advantaged positions. "Core" business units will be asked to maximize cash flow and improve their returns; capital spending and acquisitions will be limited. "Fix" businesses will be expected to rapidly improve or will be moved to the "Divest" category. Our longer-term estimate of the mix between Grow and Core is approximately 50/50. There is significantly more detail with regard to the portfolio role assignment process and future expectations contained in the back up slides of this formal presentation.

(Slide 10) Historically, we have employed limited strategic planning. We are in the early stages of deploying a much more rigorous process. Each business unit will be developing a viable, compelling strategy that identifies the key strategic issues for success. The plan will become the foundation to determine the business unit's longer term role in the portfolio and will be the basis for future investment decisions and bonus payments. The plans will be rolling 3-year looks, with annual updates; each will be required to have returns equal to or greater than annual TBR. TBR, or Total Business Return, is the business unit equivalent of TSR, or Total Shareholder Return.

(Slide 11) As a result of our portfolio management review, we have decided to divest the Aluminum Segment and 6 business units. We will walk away from some unacceptably low margin businesses in Store Fixtures and sell, consolidate, or liquidate some under performing locations which are housed within our grow and core business units. The result of these activities will be a reduction of approximately 1/5 of our revenue. We are aiming to complete these tasks by the end of 2008. The Aluminum Segment is currently undergoing a rapid restructuring analysis and has announced the closure of 1 facility. We have now engaged an investment banker to assist us in marketing the Aluminum Segment in total.

(Slide 12) The Store Fixtures business, which is a part of our Fixture and Display group, is also involved in rapid restructuring activities. We are exiting approximately 100 million dollars of low margin business. We will eliminate \$180 million of productive capacity via the closure of 4 facilities. You may remember that at the time of our 2005-2006 restructuring, we left some incremental capacity in place to take care of an unexpected recovery. We are now eliminating that capacity and then some. The result will be an expected increase in our utilization rate to approximately 80%. We have established firm key performance indicators that must be met, such as head count reductions, closure deadlines, gross

margin targets, and pricing discipline approval metrics to name only a few. We expect to attain returns greater than or equal to our weighted average cost to capital by the 4Q of 2008. Due to the priority on these activities, we expect a 250 basis-point run-rate margin improvement by March of next year. We believe that a smaller, more profitable Store Fixtures business is good for our shareholders.

(Slide 13) This is a very compelling slide; it is illustrative of our need to implement our strategy change. The rust color represents the Divest businesses. In 2007, we expect to realize only 16 million dollars of EBIT from 109 million dollars of sales; that represents \$854 million of our asset base. The slide is also a representation of our Fix opportunities, but also clearly illustrates a very healthy grow and core base. Despite the apparent health of the base portfolio, as indicated on the previous slide, we have far too many individual locations in the base that continue to under perform. Those business units must exhibit an ability to return greater than our weighted-average cost of capital within 1 year or they will be eliminated. A number of individual facilities have already been earmarked; the previously mentioned 200 million dollar reduction in sales is related to those locations. We have increased our focus on a number of important initiatives. One to note is the requirement to significantly reduce our overhead cost as we operate a smaller, more focused company. We are dedicated to the precepts of continuous improvement and quality of products and processes. We will use these tools to lower our overhead and manufacturing cost, and continue to invigorate our product development and innovation activities.

(Slide 14) Beginning in 2008, business unit bonuses will be directly linked to the return metrics for which those managers have direct control. In future years, the bonuses will be highly correlated to the strategic plan TBR targets. With that, I will turn the presentation back to Dave.

Haffner: **(Slide 15)** Alright, thanks Karl. I think everybody here knows that, historically, we have generated a sizable amount of cash, and going forward, we should generate even more free cash for our shareholders. And we will do that by implementing, as Karl said, more disciplined capital spending. We will make fewer but more strategic acquisitions. We will increase the return on the assets that we keep in the portfolio. We will continue our emphasis on working capital management. And we will sell some of those non-strategic business units.

And we are going to send more of that cash to our shareholders. Our board of directors has authorized an increase in our dividend to \$1 per share per year – a 39% increase from our current payment. This 25 cents per quarter will be payable in January to shareholders of record on the 14th of December, next month. This incremental dividend will be more than offset by reductions in capex and acquisitions. And regarding our outstanding share base, we will continue our priority on share repurchases. As you know, our board of directors has authorized a standing 10 million shares per calendar year repurchase plan and has pulled forward our 2008 authorization, as mentioned in our press release yesterday.

(Slide 16) As I mentioned earlier, for the next couple of years or so, we will be cleaning up our refocused portfolio, driving higher returns from that portfolio, and implementing stronger more rigorous strategic planning processes. Beyond that, we expect profitable growth rates greater than GDP from expansion and acquisitions in current business units, as well as from new business units that are clearly advantaged and meet rigorous criteria. As part of this plan, this strategic planning process has been very helpful in allowing us to better understand the advantages and the strategic key indicators that need to be taken into consideration prior to spending our shareholders money on acquisitions. We'll pursue profitable growth, but not at the expense of overall shareholder returns. In addition to maintaining or improving our market shares, we will focus our growth efforts on a narrower set of higher quality opportunities.

(Slide 17) This next slide is an agenda slide. I am going to ask Matt to come up here – Matt Flanigan our CFO – to walk us through the expected results.

Flanigan: **(Slide 18)** Thank you, Dave. Good morning everyone. Thank you very much for being here and listening online. First off, let's talk about the cost of everything that Dave and Karl walked through. Rest assured that -- we don't know for sure, but -- our best estimate at the moment is somewhere -- a very large range -- from 150-300 million dollars, virtually all non-cash costs, associated with this restructuring activity. We intend some time in the middle part of December to come back to you with a better feel and certainly narrow that range to what we, at that point in time, believe those costs will be. Because we have identified these 7 operations for sale, there is quite an accounting convention that we will have to go through to review the assets from an impairment standpoint, and that's what causing us a bit of a challenge to give you an excellent estimate right now. But we did want to give you a feel for the magnitude, and that is what we are attempting to do here.

Regarding guidance going forward for 2008, on January 24th we will announce our earnings and give you our best prediction, at that point in time, as to what that may represent for 2008. We mentioned in our press release yesterday that, going forward, we intend to provide annual guidance and update that every quarter as the year goes along. Many of you know the trend that is happening in corporate America now, that it is one we endorse and embrace, and, frankly, as 2008 unfolds, we know right now that it will be a bit of a bumpy ride due to the timing of the divestitures that take place and the various costs that will come around the corner.

(Slide 19) So we talked about costs, let's talk about sales. Karl referenced this earlier – for 2007, based upon our guidance right now, we should end the year with 5.2 billion dollars. The Divest targets that we talked about will peel off about \$900 million in revenue. In the Fix category, as part of that pruning process, we anticipate about \$100 million in revenue will disappear -- it's a good thing that it's going away, but that will be drop in revenue. Poorly performing plants are those plants that we have real opportunity in our core growth parts of the company and we can do a better job -- once again, probably let some revenue go that isn't providing a lot of shareholder value -- that is about 200 million dollars. You put all that together and that's about \$1.2 billion.

The growth expectation, going forward, on our Core base of activity and Grow base of activity is 3% per year, including a little bit of acquisition activity, which we will see in a moment. But that adds back somewhere between 300-350 million dollars if all that were to take place. So, by the year 2010, you are at a \$4.3 billion company versus \$5.2 today. So, of course, the key question, as you look at that slide, is, "How do you create a lot of value in a midst of shrinking the company nearly a billion dollars?"

(Slide 20) Well, you do that by going to a lot higher earnings contribution from what turns out to be a smaller base of activity. Here's how we would estimate right now – recognizing that it is a forward looking statement – here's how we would estimate to make that happen. The Divest category that we've talked about, undergoing that activity, we believe will add about 100 basis points by no longer having that revenue. And you saw the chart that Karl had as to what little EBIT is being brought home to the party out of that amount of revenue. That will be 100 basis points improvement in margin, all things being equal. In the Fix category, once again, letting go of a lot of that revenue that's not contributing very much, that should be about 50 basis points. The poorly performing plants that Karl referenced, that is, again, a 100 basis point opportunity, in round numbers. So, that's how you get from 7 ½ to 10% margin in those first 3 categories. Those things are largely within our control -- we ought to be able to make them happen, to a great extent, no matter what the economic landscape is in those various markets. That last 100 basis points – which was identified under initiatives, product development,

efficiencies, purchasing, continuous improvement, better discipline on pricing – those are the kinds of things, tools we will use to go to 11% and, hopefully, beyond. When you put all that together, if that were to take place, rest assured that 11% EBIT margin on a 4.3 billion dollar amount of business is significantly greater than 7 ½% EBIT contribution on a \$5.2 billion amount of activity.

(Slide 21) So, we've talked costs, sales, margins, let's talk a little bit about cash, where it's been spent, and where we will spend it going forward. An interesting slide, obviously a lot of history from 2006 back, and 2007 is an estimate. What that shows you pretty clearly – look at 1999, we spent approximately \$450 million in a combination of capital expenditures and acquisitions -- capital expenditures being the darker shade of those silos, the top side that is lighter shaded is the acquisition activity -- \$450 million is what we spent in 1999. As recently as the year 2005, we spent nearly \$350 million in those 2 buckets, and it's one of the main themes that's coming home to roost as part of our strategic review now. We believe capital spending, now much more focused and targeted on the parts of our business where we see good returns that can be harvested, would be in the neighborhood of \$130 million over the next 2-3 years – a lot different than the \$160+ million in the last 2 or 3 years. And also acquisition activity – we expect to pull that back dramatically. These numbers of \$25, \$50, \$50 million over the next 3 years are clearly just estimates, reiterating the theme that we expect acquisition activity to be very modest going forward, partly because the threshold to make acquisitions is going to be much higher. There is a significant portion of the company now, if they are in the Fix or Divest categories, that aren't even in the game to look at acquisitions -- a very key part of the story today.

(Slide 22) This is my last slide, and this tends to boil all of what you heard together again in a rough guesstimate, but certainly an estimate, that we want to put before you for 2007 to 2010, based on these strategic changes. You see in 2003-2006 – that is just history and one of the things that Dave mentioned earlier – that we have continued to generate a lot of cash from operations within this company, even with the different challenges we've had for the last several years. We expect cash from operations to go up a couple hundred million dollars, even as we shrink the base. Returns on assets and returns on revenues should be higher, and we can see our way pretty clearly to helping make that happen. Divestitures -- not very many historically; Leggett, frankly, has been accused of not being quick enough in that regard -- that will be changing. We sold our Prime Foam operations earlier this year, as many of you recall – \$80 million, so that's already happened. The \$400 million estimate of assets or proceeds of the divestitures that we now have on the table is where you get the half billion dollars on that slide. We are going to try very hard to make that divestiture activity take place in 2008.

Capital spending and acquisitions we just looked at. If you get to the free cash flow, under that definition, it will be greater than 2 times what we did in the prior 4 years, ending in 2006, compared to the 4 years beginning in 2007, looking forward. We believe that is an impressive opportunity to create shareholder value. You will also know, and this is a key takeaway today, we do not intend to change the balance sheet leverage in this company. That is not part of the magic wand that is being waved here. In fact, we continue to be very passionate about our leverage position and our credit ratings. So, you see, the net debt changes very little, and in fact goes down perhaps slightly as we look forward.

Therefore, the metric of cash that we can give back to our shareholders, looking backward was about a billion dollars during that 4 year period; looking forward it is a significant increase. Dividends are a big part of that; moving to a \$1 a share was a major move, as you all can readily appreciate. Put this in perspective, for the last many years we have increased our dividends about .04 cents a year. That has been the run rate. We increased it 0.28 cents yesterday, based on the approval of our board of directors. That is about 7 years run rate of dividend increases that we brought forward to reiterate to

everyone who's listening to our story, that we are going to be very disciplined, and we are very dedicated to executing the strategic initiatives that are part of the dividend conviction. Lastly, we do anticipate to buy back a number of shares over the next several years, as a function of the cash flow generation that will be taking place. Certainly, we don't know for sure what the amount of share repurchase will be, but here is one estimate. And there will be a correlation with the divestiture proceeds that will play into our ability to buy back shares, \$400 million, and when it occurs will be a big part of what allows us to buy back more shares. With that, I will turn it back over to Dave.

Haffner: (Slide 23) Thanks, Matt. This is our final slide, at least to speak to, I promise. There are some back up slides in your handout which give you more detail, more color and detail on various of these points. The left side of this listing really summarizes those changes that we discussed today. And while we are extremely excited and dedicated to those changes, certain things won't change. We are very proud of the principles of our company, many of them are listed on the right side of this slide. Those things will continue.

And I do want to draw your attention to the bullet on product innovation. Our company has really been founded on product innovation throughout the years. The products that have been brought forward really since the inception of the company have allowed us to become market leaders in many of the industries that we participate in. A couple of years ago, we revitalized that commitment to product innovation, and not just for bedding or for home furniture, but across the entire corporation, and not just because of my engineering or technical background. I am very, very excited for all of our shareholders, and I see what is proliferating out of that new Idea Center and creativity network that we have, and I must tell you, it is very exciting. So stand guard, stay tuned.

I have some summation comments I want to share with you. These are very significant but well thought out decisions. These changes we're making today are not necessarily all easy. But they are well thought out. Some of them are very tough and emotionally packed because they effect many of our employee/partners – dear friends of ours, people that we've worked with and toiled with for many years. It is very difficult to reach these decisions, but they are the right decisions. Our shareholders genuinely deserve the benefits that will be derived from these actions. Our management team is absolutely dedicated to a speedy implementation and, more importantly, the precise execution of this plan. And personally, I am very excited about it; a lot of us have a lot of stock in this company. So, personally, I am excited about it for all of our employee/shareholders but also for the shareholder base at large. With that we will wind up our comments, and I am going to ask all the team members to be prepared answer questions, and we are going to open it up to questions and answers from you, as a group. We have some microphones the girls will pass around. Thank you.

Questions & Answers

Good Morning: **Cliff Ransom** (Ransom Research). Very interesting plan. I've got a question that has to do with the issue of product innovation, yes it has been a hallmark of Leggett, but you're making some significant shifts is having it appears to me, correct me if I am wrong, having it be internally driven to a much deeper focus on the customer. That requires a significant mindset and typically requires a fairly significant investment as well. Can you talk to that point?

Haffner: Cliff, there's several elements of change to the way we are going about that. Historically those pockets of product development were relatively dispersed throughout the corporation that were not centralized and they tended to be internally driven you are exactly right. We would come up with what we thought were very intriguing products then we would take them to the customers. The customers would say I like this one or that doesn't make much sense or this one has some potential and as a result of that we continued to develop some good products the customers would take forward. Unfortunately in that scenario, its not the most efficient use of research and development or technical time, its tends to be much better to go to the customer or the approach we are taking now, is that we are going to our customer's customer at times and helping our customer identify what their customer may really want or need. As a result of some of those focus group sessions and early interactions with our customers, we're seeing our hit rate go up. The technical resources are relatively expensive, so we want to see the hit rate go up and we want to have those products are developed most of which will have intellectual property associated with them, be the things our customers and our customer's customer really want or really need.

Inaudible question

Haffner: Cliff, it is not a material expense, but there are, they way we deploy those expenses is a bit different. We've also widened the network of solicitation of ideas knowing full well that there are ideas that come out research centers, academia and what have you. We had not taken advantage fully of that.

Budd Bugatch-Raymond James: Couple of questions, I will ask a few and come back. You do mention the cost of capital, weighted average cost of capital, we talked a little bit about this earlier, can you give us what your range of the hurdle rate is and what you are using for the corporation?

Haffner: I am going to ask Matt, we haven't talked about this since yesterday.

Matt: Budd, obviously good question. It moves around everyday based upon what the market or value of our equity is. But we would estimate it is 9.5 -10%. That is a good estimate.

Budd: that is what you are using as your hurdle rate? That is the hurdle rate you are going to set?

Haffner: That is the minimum hurdle rate

Matt: Correct

Haffner: Our expectations are higher than that.

Budd: If you pro forma the business, let's say the beginning of 2007, for where it will be by the end of 2008, what do you think your EPS would have been for this year if the business operated at that 10% lower revenue run rate this year? I will follow that with what do you think it will look like in 2010 when you get to the 4.3 billion & 11% optical?

Matt: The short answer is we don't know. When we come back to 2008 guidance, that will be in the third week in January, we will be armed at that point in time with Dave and Karl's full review of all the operations, including the various restructurings we are talking about as well as the peel off of business that we're bucketing in the divest category. So I don't know the answer to your question Budd, but I will tell you that 2008 recast based upon 2007 revenue levels that will be sustained going forward is hard to predict but if you recall the slide that we have about 7.5% EBIT margin that's on continuing on without restructuring costs in 2007 we would expect as we sit here today that our core amount of activity for 2008 should do a little bit better than that even if the economy isn't too exciting next year we would expect some improvement but the short answer is we just don't know until we get through all the detail.

Haffner: The operating earnings, Budd, assuming we don't have any deterioration in demand from where we are at, it's hard to imagine further deterioration could happen, but the operating earnings are going to go up just mathematically as we take things off that are losing money or significantly below the corporate average. Mathematically that is going to push it up.

Budd: That's why I asked the question on the pro forma basis, for the year we are actually in right now, my math said we would be somewhere in the \$1.35-\$1.40 range for this year on a continuing basis and then the math gets me to the out years of \$1.90-\$2.10 range in the 2010 timeframe.

Haffner: You're right in the ranges we put together, we don't know, but you must do the same math in FL as we do in MO.

(inaudible)

Haffner: I hope your real estate market is doing a little better than ours.

(back there Susan)

Brian DiRubbio-US Trust: Last year at your Investor Day your goals were you wanted 16% ROE by 2009 and 11% EBIT margin. Two questions, you didn't mention ROE target at all, or at least I didn't see one, so if you could talk about that; more importantly on the EBIT margins, the call stated that at that point in time you thought you could get 11% EBIT margin within 24 months, now today you say you are getting rid of the worst of the businesses but you are only looking to achieve an 11% EBIT margin, from my perspective there is a disconnect I would like you guys to bridge, if you are keeping the best of the businesses why are you maintaining the same 11% EBIT margin.

Haffner: Well, Matt did mention or better when we showed that water fall or water spring slides, I would tell you we would be disappointed if it takes that long to get to 11% but there is a certain degree of conservatism. We don't really know what is going to happen in the interim. If you take a look at that slide and recall that there were some additions from the divestitures and an addition from continuing to improve what we have. Talked to Cliff a little bit earlier about some of the manufacturing optimization methodologies that he is very skilled in and we are very familiar with and continue to use. We are not

saying 11% is where we will be totally satisfied, that is where we can conservatively feel we can get in that period of time. The rest of your question was return on equity?

Brian: Yes

Matt: What we would say is what we have presented today would correlate to return on equity in the neighborhood of 15-16% is the math if that were to happen takes place. Back to the question on EBIT margins, I would just like to add compared to 12 months ago our view of some of the next 12-18 months economic landscape is probably a little more dour than it was 12 months ago.

Haffner: Very good question

Pat Flavin-Flavin Blake & CO: David, congratulations on embracing change rather than have change engulf you. It's clear what your plan is for respective business units, if we could ratchet one level higher to end markets and to foreign sourced vs domestic source of business if you will, can you sketch for us what changes will occur there and I am thinking because you know 2 pots of 50% grow and 50% core and the way you structured your strategy now clearly the growth attributes will cause that to rise in the future so can you give us with respect once again end markets and foreign vs domestic how this company is going to proceed?

Haffner: First let me address the globalization aspect of it. Karl, you guys might want to start thinking about how you would discuss the end markets. It is a little bit of a disadvantage for everybody because we know what is in the grow silos and what is in the core silos, and incidentally, being in the core silos is not a bad thing at all. It's a very good thing. There may be growth, there will be growth in those core businesses as we maintain, extend our market share. But from a globalization perspective, it is reasonable to assume that we will continue to find ways to move manufacturing activities to lower cost parts of the world, not because we like to export jobs, Pat, I know you know that, we have relatively low labor content in most of the products that we produce. There is combination of the cost to raw materials and currency exchange and the cost of labor and overheads, and all that comes into play but many times our customers have a lot of labor in their product and therefore our customers are really required to go to different parts of the world and we want them to continue to buy Leggett & Platt product and as a result of that since the continents aren't getting any closer the cost of containerization and freight continues to go up we've been pretty compelled to go get closer to those customers and in that process, leading up to the fact we have enjoyed a very good return on the investments we've made outside of North America. In fact, greater than the corporate average. That's the good news, the bad news is we don't have a couple billion dollars invested. We won't. We will take it in small bites and be very careful and make sure we are going in the right territories. With the RMB strengthening with some things happening with VAP taxes, inflation, labor availability in certain parts of China specifically we'll be looking at other territories. So, that's part of the globalization. Another part is we have asked our people to step back in each one of their manufacturing operations and ask themselves the hard questions. If you take a look at your top hundred products you produce, which of those are highly likely to be targets to be competitively produced elsewhere. Outsourced if you will. You know, that's pretty tough for a manufacturing guy or gal to do, to think about winding or constricting their operation and purchasing a particular component or subassembly from other parts of the world. But in doing so we have found some pretty interesting money saving and excellent quality opportunities. The logistics associated with that are greater, more complex, but we have very good procurement people sourcing people, so we are also looking at it that way. We are not so coveted or in love with our own manufacturing operations that

we won't consider buying from you, wherever you happen to be, but many times that happens to be on another continent. And with regards to the markets.....

Karl: Pat, the way I would answer that question in part is, in 2006 our foreign sales were about 21%. We would forecast in 2010 for those to be north of 30% for two reasons. 1- the divestitures are heavily weighted to domestic businesses. We expect the world economies to be more robust in the near term out years than the domestic economy. We're experiencing today significant growth in our international markets, we expect, when we break down those markets into our growth and core characterization of roles there is a very heavy weight of domestically consumed, on an international basis, sales that are in those territories. So you will see us continue to become more global not exclusively from a sourcing perspective but from a localized sales perspective.

Haffner: I might comment on some of the basic markets we participate in. The bedding industry tends to be for the most part, immune to having finished product imported in here. There is a bit of that. There are some components that have come in, we have addressed that pretty aggressively. The bedding industry is relatively flat here for the time being. So if you take a look outside the United States though our performance has improved significantly in bedding in other parts of the world, Europe being a good example. Automotive, that makes me think of automotive, automotive, we are finally seeing some life here in North America. You may all recall we are a supplier of seat suspensions and lumbar mechanisms and they tend to have a lot of intellectual properties. We have maintained reasonable margins even in a very soft North American market. But our demand for market in Europe and Asia has been significant. Again, thank goodness for our global footprint. Residential furnishings, what percentage of that is ultimately going to be made in low cost countries? That is something you might want to address Karl.

Karl: Sidenote. Today our Residential Furnishings Segment is 35% international. That is just an indicator of where we may go directionally. For many of the reasons Dave discussed, I don't see a significant trend for our residential businesses, for those manufacturers that are domestic based, to move their manufacturing capacity offshore. I personally believe we have seen the bulk of that. We're seeing some strong domestic efficient manufacturers who historically moved some of their manufacturing capacity overseas move that back to the United States. Will the trend move back? I don't know. I don't expect a continued acceleration though from the departure of the continental United States.

Laura Champine-Morgan Keegan: I was surprised to see an outlook for proceeds from divestitures in the press release and it looks like you would like to achieve over half a billion dollars on a 16 million dollar EBIT stream and even the sales multiple looks a little optimistic, this makes me think perhaps you are closer to divesting than I would otherwise think? Maybe you could comment on where you are in that process and your confidence in that proceeds amount.

Matt: one quick clarification. First of all, the half a billion you just mentioned, that is in the number for 2008, sorry, or 2007, but already includes 80 million dollars from the Prime Foam divestiture. So the target, and it's only a target, is 400 million after tax from the various operations we've identified. We obviously don't know for sure, and we just made the decision yesterday to move forward with this plan, also no question the Aluminum Segment is the big swinger as to what does or doesn't take place in that amount of activity. As Karl mentioned, we do have an investment banker engaged right now who has given us at least some sense of valuation so the short answer is Laura, that is a big unknown. But again, in the spirit of trying to give you a feel for magnitude, what will come to pass will come to pass. We'll see but that's our best guess right now.

Haffner: Also, if you would look and we didn't put an EBIT dollar cash element up on the chart, but if you took a look at the cash those businesses are generating, it is significantly less of a leap.

Karl: That slide, that point of reference is 52 million dollars of cash flow from those divest locations. So on an EBIT daub basis, it is not a significant leap.

Laura: So is it fair to say you are just starting the process and aren't necessarily in an advanced stage of negotiations?

Haffner: That is exactly right.

Keith Hughes-SunTrust Robinson Humphrey: On slide 20 when you build the margin ladder from 7 ½ to 11, you talked about the first three buckets being things you could control. It seems those would be done well before 2010. Am I making the wrong assumption there or what is your view on that?

Haffner: That is why I said we would be very disappointed if it took us until 2010 but we want to be conservative here.

Matt: Keith, I would add that this is a very very important theme, the fact that we are now asking our business unit managers to orchestrate and lead the charge based upon what category they are in opposed to everybody in the past saying go grow, make it happen and we will track you. There is a real enthusiasm you can just feel and I know Karl sensed it right away that we are now asking these folks in the various categories to do what they can do; if it is optimize cash, efficiency, that is much better than if they haven't had a chance really to do a lot of growing in the last few years because of the market they are in, market share, what have you. So the behavior and the opportunity to really drive results now that they have metrics that are significantly different than what they have, really ought to allow this EBIT margin performance to show up a lot sooner than 2010.

Haffner: One of the elements, and this is just kind of a field trial test. You take a look at the cash we have been able to generate through better working capital management. Part of that would have happened anyway but part of it has to do with the mindset our individuals are going to be judged and rewarded based upon free cash flow coming out of their individual parts of the company. So, we are already not just moderately seeing it, we're seeing it happen; and the capital expenditure, the capital forecast budget is a good example of that.

Karl: Keith, I would offer that this 4th column, initiatives, is also within our control. I have a high degree of confidence that we will execute in that bucket and that's kind of my area of responsibility and we will achieve that and more.

Keith: I have a question on share repurchase. You talked about accelerating the 10 million shares you are going to buy in 08 starting effectively now to start that process. How is the Board going to view share repurchase in the future? Are we just going to see a fixed amount every year? Is that just going to be based on market conditions as to how much you buy? Can you give us some guidance on that.

Felix: Thank you Keith, I will try to answer that. Obviously with the Board stepping up and moving this 10 million share authorization forward I think it just expresses the Board's confidence in the plan we have

come up with and management's ability to execute that plan. As we go forward with the sale of these businesses and the cash that is generated etc the Board is certainly willing to move forward in whatever makes sense in the use of that cash; in buying shares back in more than the 10 million share authorization we have today or if there is a better utilization of that cash that management could bring forward that we would use it. So the 10 million share authorization is not a limiting factor but it is one they wanted to pull forward to give management the opportunity to react if need be as we go forward but it is not a limiting opportunity.

Inaudible

Felix: It is not in our game plan right now to leverage the balance sheet up any further to wind up and just to buy equity but yes, the Board is certainly willing to buy more shares but we aren't really willing to get that balance sheet too far out of whack from where we got it today.

Ron Fisher- US Steel: Why leave the growth piece out of the puzzle? You've got a strong balance sheet, good cash flow, good times and bad, the residential infrastructure market for lack of a better word, is in a bit of disarray, the company, the acquisitions have to be more readily available than they used to, but you are saying for the next 2 years we aren't going to grow, are you missing an opportunity by stepping aside by letting up short at this point?

Haffner: Ron, as I mentioned earlier, before we started, there will be opportunities and the timing, we don't know when they're going to happen, we don't know when these attractive fish are going to swim by, but we do know that when they do we'll rigorously assess whether or not that particular entity would be advantaged by Leggett ownership, and if it is, and if there is a true compelling opportunity then we will make those acquisitions. In the core parts, what we classify as core parts of our business will be less interested in doing that than we will in the grow parts of our business. But it would be inappropriate for any of you to leave the room and think that we are going to ignore those opportunities when they come up, it's just we are going to be less willing to make those acquisitions and less aggressive in making those acquisitions than we had in the past.

Sean Butkus-Goldman Sachs: I have few but quick random questions. 1- did you use an outside consultant to help you with the strategic review?

Haffner: Yes we did. We started a portfolio review actually a little over a year ago. I think some of you know that from some restructuring things we have been doing. And we decided, our BOD, Karl and I are on the Board, Felix is on that board, we decided that, we saw the opportunity, we saw the need, and we needed additional resources. So we went and talked to 4 major companies, you can probably imagine which 4 they were, we went through a pretty rigorous screening process and determined which one represented the best opportunity, and brought them in to help us. And what that did, not only did they provide us with a tremendous amount of business acumen and experience in other types of procedures like this but it also sped up the timing because of all the business units that had; but we also wanted an outside group that would not only help us through this particular phase change if you will, of the company but to help us implement a very strong, very rigorous, strategic planning process. And they continue to be engaged today, certainly less time consuming than what we have been doing for the last nine months, but we're very pleased, very, very pleased, with the return on that investment.

Sean: Ok. And outside of administration function sharing, the business units that are being divested, are there any overlap with sales force or any types of synergies or are these just isolated units?

Karl: In very limited cases. Generally no, but in some, certainly not the aluminum side, but in some of the six business units that will ultimately be divested, there is some minimal overlap in sales representation in a couple of those but it is no.

Sean: Ok, then lastly, on slide 22, just on a prospective basis, the ratio of capex to D&A. That's one, and also, the second part of the question is just working capital assumption.

Matt: Our depreciation amortization again recognizing that 2008 will be a bit of an odd year because in 2007 for that matter based upon whatever restructuring cost. But run rate D&A is about 170-175 million dollars. So when you see 130-125 that is certainly significantly lower but I would reiterate what Dave said earlier that as we pull back on that capital spending it's really simply being a much better steward of where we are spending capital and in the past where every one of our business units were challenged to grow they were working hard to make that happen and wanting to solicit capital to help that take place. Now versus much more focused and targeted on grow categories how much capital do you need and go grow even more than what used to be our corporate target. To core operations, capital is available it will be really highly correlated with efficiency and fix and divest, there's not a lot of capital for you to be calling for.

Inaudible

Matt: In 2010. They would be roughly equal by the time you get to a steady stay in 2010.

Inaudible

Matt: Should be. Certainly should be.

Haffner: I was going to say to, each one of the profit centers has targets for working capital, it's a topic I have spoken with a few of you throughout the years, we see it as a real opportunity. Those targets continue to be refined and while we are generating, I mean, consuming working capital about 19% of sales, they are a little over right now. We should be better going forward.

Unidentified: If you have been working with people on this plan for about a year now, could you maybe talk a little bit about what prompted you to start the review and whether you had any internal or external pressure or changes that caused you to start thinking about doing this?

Haffner: Well, yes. What really prompted us to start the review is a lack of performance, a lack of meeting our expectations. An interest in being able to put forth a forecast and meet that forecast. So it really goes back a couple of years when we started to peel the onion away and take a look at how is it that we believe certain things in a budgetary process and over time we fail to meet those expectations. So we started that process. And then earlier this year, in February of this year, we discussed it at a board level and all of us as board members decided that we needed to accelerate the process and that's what really prompted Dave DeSonier and I did most of the heavy lifting on solicitation of the consultants. And we just wanted to get those types of people, those quantitative empirical minds to come in here and help us make sure that we weren't drinking our own Kool-Aid. So really, it was prompted because we weren't satisfied. Absolutely not satisfied. Many of us, I will just say, heavily invested in the company.

But more than that, we got a shareholder base that for a few years here has not been properly rewarded so we had to make changes, we needed to make change.

David MacGregor-Longbow Research: Two or three points in the presentation, you make reference to pricing, you need to focus on pricing, Karl, on slide 20 you characterize pricing as one of the things, one of the initiatives that management could control. What changes, as you think about the pricing and the businesses you are going to keep, are you pushing accountability further down the organization, are you changing incentive structures around pricing? What makes you think you can control pricing and how are you going to do better on that front?

Karl: Those are very good questions. The answer is that we have not been as pricing efficient in some of our businesses as we should have been because in many cases of pressures to fill existing capacity in an over capacitized state. So as we right sized our capacity, we have less overhead contribution to fill so we have been able to be more realistic in our pricing expectations. Quite frankly, there has not been enough discipline in some of our business units in to understanding costs, expected gross margins and getting approvals at high enough levels. So actually the responsibility for some of those pricing disciplines or pricing matrix I made reference to is at a higher level of sign off. Unfortunately in the past people sometimes too low in the organization were making decisions, were not held accountable for the returns, for the impact of those decisions. The other significant change by us pushing down our bonus payments to the business unit level there is a greater accountability for returns as opposed to performance to an expectation of EBIT percentage so I believe it will become self policing because of our incentive programs but we are insuring ourselves of improvement.

Haffner: Dave, what I would say to that is no one likes to go to a customer or customer base and raise price, that is never a fun interaction but part of our business simply wasn't priced right so when it gets to the point where you are better off incrementally without that business, and you can go to a customer honestly and say Dave, here's the situation and we really need to help you find another vendor, we value your relationship, but because of a series of circumstances we can't continue to offer you this product or series of products at these prices and do so openly and honestly; sometimes, not always, but sometimes, that business goes away for a period of time and it comes back at a transfer price that is a more reasonable margin. We just got to that point with some of our business.

David Kerdell-Brahman Management: I was interested in studying the chart 20 a little more closely, that is the one with an EBIT margin of 11%. I am spring boarding off the pricing question, can you just detail which segments you feel you have an opportunity to take prices you haven't taken before, the impact you might have on volume because of the economy and also is that the biggest piece, it looks like there is 1 point from 4 different initiatives your expecting. Is pricing the biggest part and is one point too little? That's really a bunch of questions, sorry.

Several: they're all good questions

Karl: I think I can roll them all together and answer them this way. I think one point is too little but that's me and I am responsible for that area so but we are also conservative by nature and we are tired of over committing and under performing. Pricing is not the most significant it is one of the elements in that bar of initiatives. Product development is in my mind the most significant but efficiency has significant

bearing also. Purchasing, we are doing a better job of aggregating our spend and getting leverage across the spend so they are all key elements. Boy, I am going to have a hard time answering your question on which of the business units or segments doesn't do as good a job at pricing efficiency than the others because they all have room for improvement, there are some specific areas, most probably store fixtures that has underperformed, most of it because of excess capacity that's available but that issue is apparent in many of our other businesses. In many cases, and this goes back to part of the question that Dave MacGregor asked, we, in many cases, probably have not properly priced our product development initiatives, with the state of the economy for many of our products for the last couple of years we probably have not valued innovation highly enough, and we will do a better job of that in the future. I don't know if I hit all of your bullet points.

Wes Guylay-Wesley Guylay Capital Management: That really relates to my chart number 40 I guess it is because there is some substantial differences between the EBIT margins in 2006 and what we are looking for and the question is are these sort of guesses or we spent a lot of time talking about rigorous analysis and what are the points? Perhaps pricing is the most important you have considered to get these higher margins. You look at Commercial and Specialized for example, are substantially different than 2006.

Haffner: Yeah, Wes, we went back and did a lot of historical analysis, take a look at the size of the company, the margins that were being generated from each of the segments, and even deeper down than that, we attempted to look at and understand the amount of profitability evaporation due to competition. We took a look at globalization, the impact on margins associated from that, capacity utilization. It's interesting when you go back, we had a year in the not too distant past where we were at about 4.2, 4.3 billion dollars and 11%. And so we walked back through that in each one of the segments, because what we didn't want to do – and mind you, this is an important point here, part of these include inter-company and total company of course on trade – but we walked back through that and said "Let's establish targets that are real, attainable, are not slam dunks necessarily, that we will hold our people accountable for, and that are credible. And that's where we came up with those. Again, personally, many of us will be disappointed if it takes us 'til the end of 2010 to get there."

Ira Carnahan-T. Rowe Price: Hi. (Haffner: Ira) Yeah, a couple of different questions here. First, could you just kind of give us an update on just sort of the state of your key businesses today and kind of what you guys are seeing as you look out a few months or so where you have maybe limited visibility, kind of how that's going? Start with that.

Haffner: Alright... Karl? He's got a perfect crystal ball!

Karl: Yeah, I can't give you a state of the business today because we have not updated guidance. We'll be doing that later in the fourth quarter when we have a better handle of what our restructuring charges look like, so I'll go back to third quarter. As we said on the last conference call, business is under pressure, most of our businesses that have a high housing component are under pressure. Our international businesses are much stronger than our domestic businesses. The crystal ball element – all of our forecasts anticipate that 2008 will show no improvement, and some of us believe there may be slight deterioration. So right-sizing this company right now is very, very important to us. But we don't see anything from a housing perspective that will show any recovery into the first half of 2009. (here in

North America) Correct. International market buoyancy – we don't expect any real change there. The emerging markets continue to have accelerated experience, accelerated consumption, and we don't see many things to slow that down.

Ira: Ok, and just in terms of trying to understand the shareholder value creation from some of the capital deployment changes you guys are making. I mean first with the divestitures. As you look at those businesses that you guys are going to divest, are they going to be worth more in someone else's hands than they are in yours? Do you think?

Haffner: Ira, we think so. And a good recent, past example of that is our foam divestiture. I know that certain people within the organization wondered whether or not that was something we should do. It was a compelling opportunity, and that business – those assets that we sold, at a fair price for our shareholders – are really more valuable in the current owner's possession than they were for us. And I would also say that the individuals managing that company are better off today, as a result of that transaction, than they were as a part of our organization. So we've put together some estimates of proceeds from those businesses. They've been reasonably empirical on multiples of cash flow and those types of things. But we believe that those businesses generally are – generally, are good business models, but likely to be of more value in the hands of some other people than ours. An example of this, I was mentioning to another person earlier, you know, in a business that's a purchase for resale and distribution, we do that ok in some parts of our business, but there's one of those business units where there's been sort of a sea change relative to purchase now and distributing as opposed to manufacturing and distributing, and we think that that business will probably be worth more to somebody else that really does that as their primary focus, so yeah. We hope we've been conservative in establishing the estimate of proceeds but as we said on the big piece of this we've already engaged an investment banker and have had some preliminary discussions, very preliminary, Laura, but we will wind that up pretty quickly here now.

Karl: So Ira, specific to the Aluminum segment, that business is extremely well-managed, they outperform their peers in that industry. It is a business that maybe isn't best in a public company's hands, but those people are good operators of a business. They probably need a parent that has a willingness to invest in international markets, and it was a fit issue with Leggett. It's a good business and will perform extremely well in another owner's hands. Maybe a public company isn't the right home for that business.

Ira: And then when you think about just the reduction in the capex that you're looking at and the reduction in expenditures on acquisitions, do you think that you've been earning less than that, I don't know, 10% cost of capital hurdle on those as you look back over the last 2 or 3 years?

Haffner: Some of them. That's an interesting question, but the answer would be yes on some of them, but we've got many of our operations do an extremely good job of buying a widget maker or an asset and depreciating it over 7 or 10 years and running that for 12 or 15 or more years. Of course, the return on those assets, on the net assets, goes way up once you get past that depreciable life. But some of those, yes, we have not seen an adequate return. I'd say the majority of them for that – remember half of that capital expenditure, Ira, goes to sort of maintenance, things like fixing the roof and, you know, replacing the motors and those and the moving equipment, material handling equipment. The other

half, a portion of it might not have returned adequately but most of it would have, that's the way I would respond to that. Okay, Cliff, or wait a minute, who is it? Susan!

Susan Maklari-UBS: You relatively recently put an acquisition role in place in each of the business units, and given the change in acquisitions and your whole thought process there, can you give us some idea of how that role might change or might function in the future?

Haffner: Yeah, and before, I'll let Karl expand on, but you're right. We put some very competent individuals in place – I would say that they weren't put in place for acquisition per se, they're business development people which includes acquisition and they will continue to be those individuals that the segment leaders rely heavily on for targeting and enterprise valuation and those sorts of things for acquisitions, but they weren't predominantly there for acquisitions and those people are still with us. Karl?

Karl: Susan, thank you for giving me an opportunity because those 5 people are extremely capable and extremely dedicated. The use of 2 of them has shifted into a strategic planning analysis role, helping us through that process. They have been engaged with the help of the consulting group to kind of train the trainers sort of thing, and they're very competent in those roles. So, Dave made reference to the 2 business units that have kind of been the pilots for that. Those business development folks have been engaged in that. One of the business development directors has raised his hand and said I'll do anything you need me to do. He's in the process of shutting one of the store fixtures facilities down. Another is engaged in the strategic, the rapid restructuring of the store fixtures business. The other, the 5th actually, is housed in the Aluminum segment and will be working hand-in-hand with that investment banker to help us market that company, so. All 5 of them had full-time jobs before, they have more than that now. So thank you.

Cliff Ransom: What was it that had those 2 units initiate the emphasis on strategic planning and how quickly do you think you can spread that benchmark across the other divisions then I have a quick follow up on compensation.

Karl: Ok Cliff. The answer to those first two was they are, one is in grow, one is in core. So we wanted one in a balance. One of them has a domestic footprint one of them has an international footprint that has a very complex environment with the understanding what customer mixed shift may or may not be. So it was the ability to do in depth analysis with those two businesses because they were really good drivers or good examples of the process for the others to follow. The engagement of the others, as soon as we get through the month of December which is our budget month, budget review month, made more intense due to our fix/divest activities this year than most, it is always intense but it will be more intense this year. First of January we will engage in the process of moving that strategic planning process through the rest of the business units and we will have all of them engaged to some form or fashion throughout 2008.

Cliff: The second question, you know it is a pet peeve of mine, that if you don't change the comp system you don't change the behavior patterns. So can you give us some more granularity on what you've done in terms of changing the incentive compensation particularly at the business unit level.

Haffner: I will let you talk about business level then I will pile on from a higher level.

Karl: the business unit compensation historically had been, 75% of their comp was based on their performance to EBIT budget at the facility level then rolled up, so a plant manager would have 75% based on hitting the target to his budgeted EBIT at just his location, then the business unit manager would be the aggregation of those then the segment head the aggregation of those.

Inaudible

Karl: That is correct

All: historically

Karl: Then 25% of their bonus was based on a corporate RONA, attainment of a corporate RONA target.

Karl: Minimal. Today.

Haffner: small little pieces

Karl: January 1, 2008, at every business unit level, 50% of their management incentive is based on a return calculation at that specific level. At the branch level, there will be specific targets for KPI, key performance indicators, that would be at the supervisory level and below, so the safety manager is held accountable for the safety statistics whatever those KPIs happen to be at that level. But then you get to the branch manager and it is the returns for that branch, 50% is the returns for that branch, the other 50% is the historic performance to his EBIT budget. So it is a significant switch, sometime in the future, will it be January 1, 2009, we don't know but certainly before 2010 there will be a very tight correlation to the end results of the TBR, the total business return, targets that come out of the strategic planning process and they will be overlaid upon those individual business unit managers to a higher level.

Haffner: And I would say for the non-operating executives of the corporation, we have historically been tied to return on net assets Cliff, the segment heads and below operationally were on this program that Karl laid out. We will continue to be held responsible for return on net assets but there is a significant piece of our incentive going forward that will be tied directly to shareholder return. In the case of Karl and I, it'll be totally tied. So if we do not meet total shareholder return targets that are established then that piece of our incentive will be zero. We just feel strongly about that and we certainly line up with you and felt that because of these major changes we were making we needed to make that change in incentive criteria at the same time. Budd?

Budd: Yeah, a couple of additional questions I have. You talked about the dividend increase has been about 4 cents a year annually. You used to have a dividend policy of I think 30% of the trailing 3 years income. What's the new dividend policy going forward, what kind of increases should investors expect and how to measure or gauge that?

Haffner: Well, it will be higher than that 30 to 33%. And we also know, based upon EPS, which is going to be reduced by some one-time costs, you know cash associated with it but EPS will be reduced that we're going to see some significant spike up in the short-term, as a percentage of earnings. Over the longer haul, the Board of Directors will decide that it's not out of the question to be looking at 50, 55% something like that.

Matt: Slide 39, I think, Double D, will show the 50-55% dividend payout as a range.

Budd: Alright. Next question is, the leverage policy was stated as 30 to 40% of total cap. How are you stating that policy now, what is your goal?

Matt: That has not changed. It's still there at the bottom bullet point on slide 39 and again it's certainly our anticipation that relative to that range we'll be at the low end of that range.

Budd: And do you want to venture away to characterize that as a debt to EBITDA, or do you look at it that way as well, Matt?

Matt: You look at it that way as well, and of course, as Kevin right here could reconfirm all that as our conversations with the rating agencies are very heavily oriented toward cash flow protection measures etc. But our EBITDA is in the neighborhood of \$600 million this year, roughly, as everyone probably already knows here, and our debt right now is about a billion dollars, and we expect those coverages to go up as we execute on the item's we've talked about.

Budd: It's been running I think somewhere near 2. Is that what we should expect, if I remember right?

Matt: I don't have a specific. We haven't anchored in this is what we want as our cash flow coverage but we can assure you that A) we don't expect to have our debt to go up, and the amount that we sit on today, and we do expect our cash flow generation to go up.

Budd: And David, you talked a little bit about a more rigorous acquisition criteria. Can you phrase some of that quantitatively as well as the fit issue and you've now got 4 segments, do we expect a 5th segment – will there be another 5th segment? In the past, you've talked about even 5 or 6 or 7 segments.

Haffner: I'll address the acquisition criteria first, Budd. Some of the things that we will look at more critically than we have in the past will be the growth rate of a particular target, the technical content of that target, the overall market impacts from not just a national, but an international perspective. We'll continue, and we've always done a pretty good job of defining synergies, so we'll continue to look at those things, but we'll be much more in-depth in our analysis relative to the geopolitical aspects, the demographics, all of the things that might come to bear on a particular acquisition. We will continue to make acquisitions. They will be companies that we have a higher confidence level in their performance. And would we ultimately have more than 4 segments, I think it's reasonable to assume that. Just not willing to predict when that might happen. For the next couple of years or so, we intend – and we'll make acquisitions in that period of time – but it's not our plan to go out there and find that next segment to bolt on or to add to the portfolio. If it happens, we would certainly be communicating it.

Budd: And just my last question, organizational fallout – has there been any organizational fallout with the changing to TSR and your changing strategic direction, any of the key leaders, or do you expect any.

Haffner: No, contrarily, it's been – and I'll let some of these guys address it too – it's been very positively supported. People understand – remember many of our employees are shareholders, and so they, like we all do in this room, want very much to see that share performance improve. There is a

feeling of understanding within the organization, there's a feeling of anxiety, excitement in the organization. Obviously we've got a number of our employees that are associated with the parts of the business that we're planning to divest. Karl and I have spent a good bit of time with the senior management of the Aluminum group and I can tell you that, of course they're personal friends of ours, they're highly dedicated, highly competent people, and we have not at this point had anything other than strong support. Felix? (Inaudible) Oh yeah, thank you. Those of you that know us well know that we believe in communicating very openly to the extent that we can, and timing is very important, so we're going to go get on the airplane and fly back to Carthage, and then this group's going to get back together and we're going to coalesce our thoughts on two presentations that we're making tomorrow. The first of them is early in the morning. We're meeting with the Carthage-based employees and we're going through this same detail, but more importantly we're going to go into a Q&A, so every question that they have, we will respond to. And then for those people – of course, Carthage is only a small portion of our employee base – that afternoon, I think it's at 1:30, is that correct? 1:30 we'll be having a web cast for all of our employees, and so tomorrow will be a very important, very, very important day for us.

Karl: And the key to that is, as Dave said, to allow or encourage all of those employees who have questions to ask them. Because of the disclosure requirements, the folks, the pool of folks that knew where we were headed broadened significantly last night with the press release. Many, other than the most senior managers, didn't know where we were headed.

Haffner: Yes, Pat?

Pat Flavin: David, just one elaboration on the comp issue as it applies particularly to the more senior individuals, and especially to the two of you, with all of your bonuses as I understand being TSR related. I certainly understand the use of TSR in the absolute term over a longer period of time, but on an annual basis, is – there's a whole lot of difference between earning a 12 to 15% TSR in an up 20 year versus a down 20 year. And it strikes me as potentially counterproductive on a – this is only on an annual basis – to use an absolute rather than a relative benchmark.

Haffner: Yeah, let me elaborate on it, Pat, that's a good point. There will be a return on net assets portion to our bonus. So we will not lose focus on return on net assets. But the compensation committee – and I strongly agree with this – felt that for the senior management, we need a substantial amount of our incentive to be tied to these targets. Now the TSR will be a three-year average, I mean I probably, I didn't know how much detail you all wanted, but it'll be a three-year average, and it'll be compared to a peer group of companies. And if we meet or exceed, if our average meets or exceeds those targets, we'll be paid on some prorated basis through restricted stock, and if it doesn't, we won't. We'll still have a cash element of our bonus – it will only be paid if certain return on net assets criteria are met. (inaudible) That's correct, yes, that's correct Pat. I should have given you that detail before.

Ok. Well, we appreciate very much your attendance here today. We understand these are huge changes for the company, we're extremely excited, hope you will be too, and wish everybody safe travels. Thank you.