

MESTEK INC
Form PRER14A
July 03, 2006
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

(AMENDMENT NO. 1)

**Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934**

Filed by the Registrant X

Filed by a Party other than the Registrant O

Check the appropriate box:

X Preliminary Proxy Statement

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

O Definitive Proxy Statement

O Definitive Additional Materials

O Soliciting Material Pursuant to § 240.14a-12

MESTEK, INC.

(Name of registrant as specified in its
charter)

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (Check the appropriate box):

X No fee required

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

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

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

(4) Proposed maximum aggregate value of transaction:

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(1) Amount previously paid:

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

(3) Filing Party:

(4) Date Filed:

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held August 16, 2006

To The Shareholders of Mestek, Inc.:

Please take notice that the Annual Meeting of the Shareholders of Mestek, Inc. (the Company) will be held at the Reed Institute, 152 Notre Dame Street, Westfield, Massachusetts, adjacent to the Company's headquarters, on Wednesday, August 16, 2006 at 10:30 a.m. local time, for the following purposes:

- (1) To elect a Board of eight (8) Directors for one-year terms, each to hold office until his successor is elected and qualified or he shall resign or be removed.
- (2) To consider and vote upon a proposal to amend the Company's Restated Articles of Incorporation as follows:

to effect a 1-for-2,000 reverse stock split of the Company's common stock by amending the Restated Articles of Incorporation of the Company, as further described in the accompanying Proxy Statement (the First Amendment), which, if approved, would enable the Company to cease its periodic reporting obligations under the Securities Exchange Act of 1934, as amended, and thereby forego many of the expenses associated with operating as a public company subject to SEC reporting obligations. A copy of the proposed First Amendment to the Restated Articles of Incorporation is attached as Annex A to the accompanying Proxy Statement.

- (3) To consider and vote upon a proposal to amend the Company's Restated Articles of Incorporation as follows:

to effect a 2,000-for-1 forward stock split of the Company's common stock immediately following the 1-for-2,000 reverse stock split of the Company's common stock, also by amending the Restated Articles of Incorporation of the Company, as further described in the accompanying Proxy Statement (the Second Amendment). A copy of the proposed Second Amendment to the Restated Articles of Incorporation is attached as Annex B to the accompanying Proxy Statement. Although both the reverse stock split and the forward stock split will be voted on separately, the Company will not effect either the reverse stock split or the forward stock split unless both of such transactions are approved by the Company's shareholders.

As a result of these proposed amendments, (a) each share of the Company's common stock held of record by a shareholder owning fewer than 2,000 shares immediately before the effective time of the First Amendment will be converted into the right to receive \$15.24 in cash, without interest, per pre-split share, and (b) each share of common stock held by a shareholder of record after the effective time of the First Amendment will represent 2,000 shares of the Company's common stock upon the filing of the Second Amendment with the Pennsylvania Department of State.

- (4) To ratify the Audit Committee's appointment of Vitale, Caturano & Company, Ltd. as auditors of the Company's financial statements for the fiscal year ending December 31, 2006.

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- (5) To transact such other business as may properly come before the Annual Meeting or any postponement or adjournment thereof.

Pursuant to the By-laws of the Company, a copy of which are attached as Annex I to the accompanying Proxy Statement, the Board of Directors has, by resolution, fixed the close of business on June 6, 2006 as the record date for the determination of shareholders entitled to notice and to vote at the Annual Meeting and any postponement or adjournment thereof. Enclosed is your copy of the Proxy Statement of the Company, including the financial statements for the year ended December 31, 2005, which have been mailed to all shareholders previously with the Annual Report. Please refer to them for information concerning the affairs of the Company.

ALL SHAREHOLDERS ARE CORDIALLY INVITED TO ATTEND THE ANNUAL MEETING IN PERSON. IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE ANNUAL MEETING. WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING IN PERSON, PLEASE SIGN THE ENCLOSED PROXY AND PROMPTLY RETURN IT IN THE ENCLOSED ENVELOPE WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES. THIS WILL NOT LIMIT YOUR RIGHT TO VOTE IN PERSON AT THE ANNUAL MEETING.

The Board of Directors of the Company has carefully considered the terms of the going private transaction resulting from the First Amendment and the Second Amendment to the Company's Restated Articles of Incorporation, and believes that it is fair to, and in the best interests of, the Company and its shareholders. The Board of Directors has approved the transaction and recommends that you vote FOR the two amendments to the Restated Articles of Incorporation.

Attendance in person or by proxy of holders of a majority of shares of capital stock of the Company issued and outstanding and entitled to vote will constitute a quorum. Amendments to Articles of Incorporation require a majority vote of the votes cast, with each shareholder entitled to one vote per share. In addition, the Board of Directors has conditioned the going private transaction upon the receipt of the following shareholder votes in favor of the First and Second Amendments to the Restated Articles of Incorporation: (i) a majority of the votes cast at the meeting by the unaffiliated holders of the outstanding shares of common stock of the Company (a so-called majority of the minority or neutralized vote) and (ii) a majority of the votes cast at the meeting by the affiliated holders of the common stock of the Company. The affiliated holders are record owners of more than 10% of the issued and outstanding common stock of the Company, all directors and executive officers of the Company, members of the immediate families of such owners, directors and executive officers and certain trusts for the benefit of such owners, directors, executive officers or members of their immediate families. Unaffiliated holders are all other shareholders of the Company.

By Order of the Board of Directors

Mestek, Inc.

J. Nicholas Filler, Secretary

Principal Executive Office:

Mestek, Inc.

260 North Elm Street

Westfield, Massachusetts, 01085

July 17, 2006

PRELIMINARY COPY

PROXY

MESTEK, INC.

260 NORTH ELM STREET, WESTFIELD, MASSACHUSETTS 01085

PROXY FOR ANNUAL MEETING OF SHAREHOLDERS, August 16, 2006

This Proxy is Solicited on Behalf of the Board of Directors

of Mestek, Inc.

The undersigned hereby appoints Messrs. Winston R. Hindle, Jr. and David M. Kelly, or either of them as they may determine as Proxy or Proxies of the undersigned, each with the full power to appoint his substitute, and hereby authorizes them to represent and vote, as designated below, all the shares of the Common Stock of Mestek, Inc. held of record by the undersigned on June 6, 2006, when the undersigned would be entitled to vote at the Annual Meeting of Stockholders to be held on August 16, 2006 at the Reed Institute, 152 Notre Dame Street, Westfield, Massachusetts (adjacent to the Company's corporate headquarters at 260 North Elm Street) or any and all adjournments or postponements thereof, on the proposals set forth below, and in their discretion upon any other business which may properly come before the Meeting and any and all adjournments and postponements thereof. The undersigned hereby revokes any proxy previously given with respect to such shares.

Shares represented by this proxy when properly executed will be voted as directed herein by the undersigned stockholder. If no such directions are indicated, the proxies will have authority to vote FOR the nominees for directors, FOR the proposals and FOR the auditors. The Board of Directors of Mestek, Inc. recommends a vote FOR each of these proposals.

The undersigned acknowledges receipt of the Notice of Annual Meeting of Stockholders and the accompanying Proxy Statement.

1. Election of each WILLIAM J. COAD, WINSTON R. HINDLE, JR., DAVID W. HUNTER, DAVID M. KELLY, GEORGE F. KING, JOHN E. REED, STEWART B. REED, and EDWARD J. TRAINOR as directors.

FOR all eight nominees listed (except as marked to the contrary above):

WITHHOLD AUTHORITY: (Instruction: To withhold authority to vote for any of the nominees strike a line through the nominee's name in the list above)

2. To consider and vote upon a proposal to amend the Company's Restated Articles of Incorporation as follows:

to effect a 1-for-2,000 reverse stock split of the Company's common stock by amending the Restated Articles of Incorporation of the Company (the First Amendment). As a result of the First Amendment each shareholder owning fewer than 2,000 shares immediately before the First Amendment will have such shares cancelled and converted into the right to receive from Mestek \$15.24 in cash without interest for each of such shareholders' shares of Mestek's common stock.

FOR:
AGAINST:
ABSTAIN:

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3. To consider and vote upon a proposal to amend the Company's Restated Articles of Incorporation as follows:

to effect a 2,000-for-one forward stock split of the Company's common stock by amending the Restated Articles of Incorporation of the Company (the Second Amendment).

FOR: []
AGAINST: []
ABSTAIN: []

4. Ratification of the Audit Committee's appointment of Vitale, Caturano & Company, Ltd. as auditors of the Company's financial statements for the fiscal year ending December 31, 2006.

FOR: []
AGAINST: []
ABSTAIN: []

5. In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the Meeting. This proxy when properly executed will be voted in the manner directed herein by the undersigned stockholder. If no direction is made, this proxy will be voted FOR Proposal 1, Proposal 2, Proposal 3 and Proposal 4.

PLEASE VOTE, DATE AND SIGN THIS PROXY AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE.

PLEASE SIGN EXACTLY AS NAME APPEARS BELOW. WHEN SHARES ARE HELD BY JOINT TENANTS, BOTH SHOULD SIGN.

Dated: _____, 2006

Signature: _____

Signature if held jointly: _____

When signing as attorney, as executor, as administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person.

Has Your Address Changed?

Do You Have Any Comments?

MESTEK, INC.

GENERAL OFFICES

260 North Elm Street

Westfield, Massachusetts 01085

JULY 17, 2006

PROXY STATEMENT

FOR ANNUAL MEETING OF SHAREHOLDERS TO BE HELD

Wednesday

AUGUST 16, 2006

10:30 AM EST

SOLICITATION OF PROXIES

The accompanying proxy is solicited by and on behalf of the Board of Directors of Mestek, Inc. As used in this Proxy Statement, the Company, we, our, ours and us refer to Mestek, Inc. and all of its subsidiaries. The solicitation of proxies will be borne entirely by the Company. Regular employees of the Company may solicit proxies by personal interview, mail or telephone and may request brokerage houses and other custodians, nominees and fiduciaries to forward soliciting material to the beneficial owners of the stock held of record by such persons. Georgeson Shareholders Communications, Inc. has been retained by the Company to assist in the distribution of proxy materials and the solicitation of proxies for a fee of \$5,000, plus expenses. This Proxy Statement and the enclosed form of proxy are first being mailed to shareholders on or about July 17, 2006.

If a proxy in the accompanying form is duly executed and returned, the shares represented will be voted at the Annual Meeting and where a choice is specified, will be voted in accordance with the specification made. Proxies may be revoked at any time prior to voting by (1) executing and delivering a new proxy to the Secretary of the Company at or before the Annual Meeting, (2) voting in person at the Annual Meeting or (3) giving written notice of revocation to the Secretary of the Company at or before the Annual Meeting.

In addition to customary actions at the Annual Meeting such as the electing of directors, ratifying the appointment of auditors and other ordinary business to come before the meeting, the Board of Directors of the Company is providing this Proxy Statement to you to solicit your vote for the approval of the proposed amendments to our Restated Articles of Incorporation that will provide for a reverse 1-for-2,000 stock split, followed immediately by a forward 2,000-for-1 stock split of the Company's common stock, the effect of which will be a going private transaction pursuant to Rule 13e-3 of the United States Securities and Exchange Commission.

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We expect that the effective time of the transaction (the Effective Time) will occur on the date of the Annual Meeting (August 16, 2006 or such other date when the Annual Meeting is actually held, if postponed or changed for any reason), upon the filing of the Articles of Amendment of our Restated Articles of Incorporation with the Department of State of the Commonwealth of Pennsylvania, provided we have received shareholder approval to consummate the transaction.

As permitted under Pennsylvania law, shareholders of record at the Effective Time of the reverse stock split transaction, whose shares are converted into less than 1 share in the reverse split (meaning they held fewer than 2,000 shares at the Effective Time of the reverse split) will receive a cash payment from the Company for their fractional share interests equal to \$15.24 cash, without interest, for each share of common stock they held immediately before the reverse split.

Shareholders who own 2,000 or more shares of record at the Effective Time of the reverse stock split transaction will not be entitled to receive any cash for their fractional share interests resulting from the reverse split. The forward split that will immediately follow the reverse split will reconvert their whole shares and fractional share interests into the same number of shares of common stock they held immediately before the Effective Time of the transaction. As a result, the total number of shares held by such a shareholder will

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not change after completion of the transaction. We refer to the reverse and forward stock splits, together with the related cash payments to shareholders holding fewer than 2,000 shares, as the transaction, the going private transaction or the split transaction.

After the transaction, we anticipate that we will have approximately 175 shareholders of record and beneficial holders. As a result, we will no longer be subject to the annual and periodic reporting and related requirements under the federal securities laws that are applicable to public companies. In addition, our common stock will cease to be traded on the New York Stock Exchange and we anticipate that information relating to the trading of our common stock will be available only through publication on the Pink Sheets Quotation Service (the Pink Sheets).

Our By-laws, a copy of which are attached to this Proxy Statement as Annex I, will be amended as of the Effective Time to provide protections for our shareholders cashed out as a result of the transaction and for our shareholders who remain after the transaction. In summary, the protections are as follows:

During the five years immediately following the transaction, we will use commercially reasonable efforts to cause our common stock to be quoted on the Pink Sheets.

Should we enter into an agreement for, or complete, a transaction involving the sale of all or a substantial portion of our shares or assets during the one year immediately following the transaction, resulting in a per share valuation greater than that paid to the cashed out shareholders, we will pay the cashed out shareholders upon consummation of such a transaction a contingent payment equal to the amount of such difference.

During the one year immediately following the transaction, we will not declare or pay any dividends on our common stock without first paying an equivalent per share dividend to cashed out shareholders.

In each of the five calendar years immediately following the transaction, we will hold one Dutch auction for our common stock, in which, subject to our compliance with reasonable constraints imposed by bank covenants and financial ratios, we will offer to purchase up to \$2,500,000 of our common stock in each auction.

During the five years immediately following the transaction:

A majority of our Board of Directors will consist of independent directors, as defined by the New York Stock Exchange. Our Audit and Compensation Committees will consist entirely of independent directors.

We will provide each of our shareholders quarterly and annual audited financial reports, similar in general content to, but not necessarily in as great detail or in the same format as, the reports required by the Securities Exchange Act of 1934, as amended.

Our management will entertain questions asked by our shareholders and will endeavor to answer the questions fully and frankly.

We will not enter into any transaction with any of our directors, executive officers or ten percent stockholders, or any of their immediate family members, without first obtaining prior approval of our Audit Committee. Our Compensation Committee will recommend to our Board of Directors the compensation for each member of our senior management.

We will provide a telephone and email hotline to facilitate confidential reporting of improper activity by shareholders, employees, suppliers and others to our Audit Committee or other designated governing body.

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The transaction cannot occur unless the holders of a majority of the shares cast approve the proposed amendments to the Company's Restated Articles of Incorporation, copies of which are attached as Annex A

and Annex B to this Proxy Statement. Additionally, the Board of Directors has conditioned the going private transaction upon the receipt of the following shareholder votes in favor of the First and Second Amendments to the Restated Articles of Incorporation: (i) a majority of the votes cast at the meeting by the unaffiliated holders of the outstanding shares of common stock of the Company (a so-called majority of the minority or neutralized vote) and (ii) a majority of the votes cast at the meeting by the affiliated holders of the common stock of the Company. The affiliated holders are record owners of more than 10% of the issued and outstanding common stock of the Company, all directors and executive officers of the Company, members of the immediate families of such owners, directors and executive officers and certain trusts for the benefit of such owners, directors, executive officers or members of their immediate families. Unaffiliated holders are all other shareholders of the Company.

This document provides you with detailed information about the proposed transaction. Please see Where You Can Find More Information (Page 123) for additional information about the Company on file with the Securities and Exchange Commission.

This Proxy Statement and proxy card are being provided to shareholders of record of the Company as of June 6, 2006. This proxy statement and proxy card are being mailed to such shareholders beginning on July 17, 2006.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of this proposed transaction, passed upon the merits or fairness of this transaction, or determined that the proxy statement is truthful or complete. It is illegal for any person to tell you otherwise.

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FORWARD LOOKING STATEMENTS

Forward looking statements are those statements that describe management's beliefs and expectations about the future. We have identified forward looking statements by using words such as anticipate, believe, could, estimate, may, expect, and intend. Although we believe these expectations are reasonable, our operations involve a number of risks and uncertainties, including those described in this disclosure and other documents filed with the Securities and Exchange Commission (SEC). These types of forward looking statements may prove to be incorrect.

SUMMARY TERM SHEET

This Summary Term Sheet, together with the Questions and Answers section that follows, highlight selected information from the Proxy Statement about the proposed going private transaction. This Summary Term Sheet and the Question and Answers section may not contain all of the information that is important to you. For a more complete description of the transaction, you should carefully read this Proxy Statement and all of its annexes before you vote. For your convenience, we have directed your attention in parentheses to the location in this Proxy Statement where you can find a more complete discussion of each item listed below.

As used in this Proxy Statement, the Company, we, our, ours and us refer to Mestek, Inc. and all of its subsidiaries, and the transaction, going private transaction or split transaction refer to the reverse and forward stock splits, together with the related cash payments to shareholders holding fewer than 2,000 shares at the Effective Time of the transaction.

The Transaction (Page 17)

If the transaction is approved and completed:

Our shareholders of record holding fewer than 2,000 shares of our common stock at the Effective Time will receive a cash payment from us of \$15.24 per share, without interest, for each share of common stock held immediately before the First Amendment;

Our shareholders of record holding 2,000 or more shares of our common stock at the Effective Time will continue to hold the same number of shares of our common stock after completion of the transaction and will not receive any cash payment;

Our officers and directors at the Effective Time will continue to serve as our officers and directors immediately after the transaction;

Our By-laws will be amended as of the Effective Time to provide protections for our shareholders cashed out as a result of the transaction and for our shareholders who remain after the transaction. In summary, the protections are as follows:

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During the five years immediately following the transaction, we will use commercially reasonable efforts to cause our common stock to be quoted on the Pink Sheets.

Should we enter into an agreement for, or complete, a transaction involving the sale of all or a substantial portion of our shares or assets during the one year immediately following the transaction, resulting in a per share valuation greater than that paid to the cashed out shareholders, we will pay the cashed out shareholders upon consummation of such a transaction a contingent payment equal to the amount of such difference.

During the one year immediately following the transaction, we will not declare or pay any dividends on our common stock without first paying an equivalent per share dividend to cashed out shareholders.

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In each of the five calendar years immediately following the transaction, we will hold one Dutch auction for our common stock, in which, subject to our compliance with reasonable constraints imposed by bank covenants and financial ratios, we will offer to purchase up to \$2,500,000 of our common stock in each auction.

During the five years immediately following the transaction:

- o A majority of our Board of Directors will consist of independent directors, as defined by the New York Stock Exchange. Our Audit and Compensation Committees will consist entirely of independent directors.
- o We will provide each of our shareholders quarterly and annual audited financial reports, similar in general content to, but not necessarily in as great detail or in the same format as, the reports required by the Securities Exchange Act of 1934, as amended.

- o Our management will entertain questions asked by our shareholders and will endeavor to answer the questions fully and frankly.
- o We will not enter into any transaction with any of our directors, executive officers or ten percent stockholders, or any of their immediate family members, without first obtaining prior approval of our Audit Committee. Our Compensation Committee will recommend to our Board of Directors the compensation for each member of our senior management.
- o We will provide a telephone and email hotline to facilitate confidential reporting of improper activity by shareholders, employees, suppliers and others to our Audit Committee or other designated governing body.

The Board of Directors has conditioned the going private transaction upon the receipt of the following shareholder votes in favor of the First and Second Amendments to the Restated Articles of Incorporation: (i) a majority of the votes cast at the meeting by the unaffiliated holders of the outstanding shares of common stock of the Company (a so-called majority of the minority or neutralized ~~and~~(ii) a majority of the votes cast at the meeting by the affiliated holders of the common stock of the Company. The affiliated holders are record owners of more than 10% of the issued and outstanding common stock of the Company, all directors and executive officers of the Company, members of the immediate families of such owners, directors and executive officers and certain trusts for the benefit of such owners, directors, executive officers or members of their immediate families. Unaffiliated holders are all other shareholders of the Company.

Upon shareholder approval, it is neither contemplated nor likely that the Board of Directors would choose to abandon the going private transaction. The Board of Directors has not identified any specific contingencies which might lead to the delay or abandonment of the transaction and any such decision would most likely occur only as a result of an extraordinary event outside of the ordinary course of business or the control of the Board of Directors or the Company or by reason of any inability to finance the costs of the fractional shares being repurchased if such number of fractional shares is substantially greater than presently contemplated. Based on our current, committed lines of credit and the communications we have had with our banks, our Board does not anticipate any difficulties with financing the going private transaction.

For a description of the provisions regarding the treatment of shares held in street name, please see SPECIAL FACTORS - Conversion of Shares in the Transaction (Page 51) of this Proxy Statement.

The Parties

We are a Pennsylvania corporation incorporated under the Pennsylvania Business Corporation Law.

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Our principal executive offices are located at 260 North Elm Street, Westfield, MA 01085.

Our telephone number is (413) 568-9571.

Vote Required; Record Date

Under Pennsylvania law, approval of the transaction requires the approval of a majority of the shares cast on the proposed transaction at the Annual Meeting, once a quorum is declared present or by proxy. By virtue of the ownership interest of John E. Reed and Stewart B. Reed and their announced respective intentions to vote in favor of the transaction, this requirement is assured. In addition, the Board of Directors has set a majority of the minority or neutralized voting procedure whereby, in addition to an overall majority of votes cast ~~required~~, to approve the going private transaction, the following shareholder votes in favor of the First and Second Amendments to the Restated Articles of Incorporation will be necessary: (i) a majority of the votes cast at the meeting by the unaffiliated holders of the outstanding shares of common stock of the Company and (ii) a majority of the votes cast at the meeting by the affiliated holders of the common stock of the Company. The affiliated holders are record owners of more than 10% of the issued and outstanding common stock of the Company, all directors and executive officers of the Company, members of the immediate families of such owners, directors and executive officers and certain trusts for the benefit of such owners, directors, executive officers or members of their immediate families. Directors and executives holding 6,021,367 shares have indicated that they will vote in favor of the transaction, meaning that the satisfaction of the second voting procedure required by the Board of Directors is assured. Unaffiliated holders are all other shareholders of the Company.

As of the close of business on June 6, 2006, there were 8,732,125 shares of our common stock entitled to notice of, and to vote at, the Annual Meeting. Of these shares, 2,697,458 are held by unaffiliated holders and 6,034,667 are held by affiliated holders.

Reasons for the Transaction (Page 23)

Our Board of Directors has determined that, for the reasons discussed in detail in this Proxy Statement, the transaction is in the best interests of the Company and its shareholders. We believe the transaction would:

relieve us of the administrative burden and cost associated with filing reports and otherwise complying with the requirements of registration under the Securities Exchange Act of 1934 (the Exchange Act), by deregistering our common stock under the Exchange Act;

relieve us of the administrative burden and cost associated with the adoption and maintenance of the requirements of being a public company mandated by the Sarbanes- Oxley Act of 2002 (the Sarbanes-Oxley Act), including the auditing and internal control requirements of Section 404 of the Sarbanes-Oxley Act, by deregistering our common stock under the Exchange Act;

eliminate the expense and burden of dealing with the large number of shareholders holding small positions in our stock;

afford shareholders who own fewer than 2,000 shares of our stock immediately before the transaction the opportunity to receive cash for their shares at a price that represents a premium of 20.2% and 16.8% over the average one month and three month closing prices, respectively, before the public announcement of the price per share to be paid in the proposed going private transaction and without having to pay brokerage commissions; and

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increase management's flexibility to consider and initiate actions that may produce long-term benefits and growth without the pressure and expectation to produce quarterly earnings per share growth.

Special Committee Recommendation

The Board of Directors established a Special Committee of independent directors to consider this transaction and make recommendations to the full Board of Directors. The Special Committee retained independent counsel and an independent financial advisor who provided the Special Committee and the Board of Directors with a fairness opinion as to the transaction. Following the Special Committee's review of the fairness opinion and consultation with independent counsel, the Special Committee recommended

the transaction to the full Board of Directors. See **SPECIAL FACTORS Background of the Transaction** (Page 34).

Recommendation of the Board of Directors, Mr. John E. Reed and Mr. Stewart B. Reed (Page 53)

The Board of Directors, Mr. John E. Reed and Mr. Stewart B. Reed believe that the transaction is fair to and in the best interests of the Company and its shareholders, including both affiliated and unaffiliated shareholders, and recommends that shareholders of the Company vote **FOR** the approval of the transaction. As used in this Proxy Statement, the term **affiliated shareholder** means record owners of more than 10% of the issued and outstanding common stock of the Company, all directors and executive officers of the Company, members of the immediate families of such owners, directors and executive officers and certain trusts for the benefit of such owners, directors, executive officers or members of their immediate families, and the term **unaffiliated shareholder** means any shareholder other than an affiliated shareholder. Directors and executives holding 6,021,367 shares have indicated that they will vote in favor of the transaction. As of June 6, 2006, our directors and executive officers beneficially owned a total of 6,034,667 shares of our common stock, or approximately 69.11% of the total shares issued and outstanding, on a fully diluted basis, on that date. One director has not indicated how he will vote approximately 13,000 shares. See **Security Ownership of Directors and Executive Officers (Page 108)**. Accordingly, we expect that a majority of votes cast and a majority of shares of affiliated shareholders being voted will vote to approve the **going private** transaction. No other shareholders have disclosed to us how they intend to vote on this matter and, accordingly, we do not know whether the necessary **majority of the minority** of unaffiliated shareholders will vote to approve the transaction.

Background of the Transaction (Page 34)

Please see **SPECIAL FACTORS Background of the Transaction** (Page 34) for a discussion of the events leading up to the public announcement of this proposal and certain events that subsequently occurred.

Effects of the Transaction (Page 31)

As a result of the transaction, we anticipate that:

the registration of our common stock under the Exchange Act will be terminated, and we will no longer be a public company subject to the reporting and other requirements of the Exchange Act;

our common stock will no longer be traded on the New York Stock Exchange and price quotations for our common stock will no longer be available any trading in our common stock after the transaction will only occur based on information published in the Pink Sheets or in privately negotiated sales;

shareholders of record who own fewer than 2,000 shares at the Effective Time of the transaction will receive a cash payment of \$15.24 per share without interest. Thereafter they will no longer have an interest in or be a shareholder of the Company and will not be able to participate in our future earnings and growth, if any, unless they subsequently acquire an equity interest in the Company;

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the number of our shareholders of record and beneficial holders will be reduced from approximately 1,850 (which included approximately 80 brokerage firms holding shares in street name) to approximately 175, and the number of outstanding shares of our common stock will decrease by approximately 7.2% from 8,732,125 to approximately 8,100,000;

the percentage of ownership of our common stock beneficially owned by the current executive officers and directors of the Company, as a group, will increase from approximately 69.11% to approximately 74.50% on a fully diluted basis;

aggregate shareholders' equity of the Company as of March 31, 2006, would be reduced from

approximately \$105,277,000 on a historical basis to approximately \$94,767,000 on a pro forma basis;

the book value per share of common stock as of March 31, 2006, would be reduced from \$12.06 per share on a historical basis to approximately \$11.70 per share (basic and diluted) on a pro forma basis;

net income per share of common stock (excluding the effect of transaction costs but including other non-recurring income and expenses) for the year ended December 31, 2005, would remain unchanged at \$.86 per share (basic and diluted); and

net income per share of common stock (excluding the effect of transaction costs but including other non-recurring income and expenses) for the three months ended March 31, 2006, would remain unchanged at \$.03 per share (basic and diluted).

Termination of Our SEC Reporting Obligations After the Transaction

Following the completion of the transaction and the filing of a Form 15 with the SEC, the registration of our common stock, as well as our duty to file reports with the SEC under Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, will terminate and our common stock will no longer be publicly-traded on the New York Stock Exchange. We will continue operations as a non-reporting private corporation. Our duty to file reports with the SEC under Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, is sometimes referred to herein as the registration and periodic reporting obligations. For detailed information concerning the purpose, reasons for and effect of the transaction, see SPECIAL FACTORS Purposes, Alternatives, Reasons and Effects of the Transaction (Page 23).

Fairness Opinion of Financial Adviser (Page 42 and Annex C)

Houlihan Lokey Howard & Zukin Financial Advisors, Inc. (Houlihan Lokey), the independent financial advisor retained by the Special Committee of the Board of Directors, has delivered to the Special Committee and our Board of Directors its written opinion to the effect that, as of the date of such opinion and based upon and subject to certain matters stated in the opinion, the cash consideration to be paid in the proposed going private transaction is fair, from a financial point of view, to our shareholders (other than John E. Reed and Stewart B. Reed and certain trusts holding our shares for which either (i) John E. Reed serves as trustee or (ii) our shares are held for the benefit of an immediate family member or either John E. Reed or Stewart B. Reed, collectively referred to herein as the Reeds) including shareholders who will receive cash in the proposed going private transaction as well as those who will remain shareholders after the proposed going private transaction. The full text of the written opinion of Houlihan Lokey, which sets forth the assumptions made, matters considered and limitations on the review undertaken, is attached as Annex C to this Proxy Statement. You should read the opinion carefully in its entirety, along with the discussion under SPECIAL FACTORS Opinion of Houlihan Lokey . (Page 42)

The opinion of Houlihan Lokey is directed to the Special Committee of our Board of Directors, addresses only the fairness to holders of our common stock from a financial point of view of the cash consideration to be paid in the proposed going private transaction and does not constitute a recommendation to any shareholder as to how such shareholder should vote at the Annual Meeting and does not address the relative merits of the proposed going private transaction as compared to any alternative business strategies that might exist for the Company. The opinion of Houlihan Lokey was not an expression of opinion as to the prices at which shares of our common stock would trade following announcement or completion of the proposed going private transaction.

Conditions to the Completion of the Transaction

The completion of the transaction depends upon the approval of the proposed amendments to our Restated Articles of Incorporation by the holders of a majority of votes cast, as well as a majority of the shares of unaffiliated shareholders and a majority of shares of the affiliated shareholders being voted at the Annual Meeting.

Reservation of Rights (Page 101)

Our Board of Directors has retained the right to abandon the transaction without further action by our shareholders at any time before the filing of the necessary amendments to our Restated Articles of Incorporation with the Pennsylvania Department of State, even if the transaction has been authorized by our shareholders at the Annual Meeting, if it determines that the transaction is not then in the Company's best interests or in the best interest of our shareholders. Among the circumstances the Board of Directors may consider in reaching a decision to abandon the transaction is if the transaction becomes too expensive or there is a risk that it will not result in a reduction in the number of record holders to fewer than 300, which is required for us to file a Form 15 with the SEC and the termination of our registration and periodic reporting obligations. Our Board of Directors has also reserved the right to delay the transaction if necessary to prosecute and defend pending litigation regarding the transaction which is more fully discussed under the heading SPECIAL FACTORS Purposes, Alternative, Reasons and Effects of the Transaction Disadvantages of Going Private (Page 26). By voting in favor of the transaction you are expressly also authorizing our Board of Directors to determine not to proceed with the transaction if it should so decide.

At this time, the Board of Directors has no intention to abandon the transaction, other than by reason of an extraordinary event outside of the ordinary course of business or the control of the Board of Directors or the Company or by reason of any inability to finance the costs of the fractional shares being repurchased if such number of fractional shares is substantially greater than presently contemplated, which is not anticipated to be a problem, given our current banking relationships.

Pending Litigation (Page 28)

On April 10, 2006, Alan Kahn filed a putative class action complaint in the Superior Court in Hampden County of the Commonwealth of Massachusetts against the directors of the Company, alleging, among other things, that the directors breached their fiduciary duties in connection with the certain aspects of the going private transaction proposed by the Company and approved by the directors. Plaintiff purports to bring the action individually and on behalf of a putative class of all unaffiliated shareholders. The complaint seeks preliminary and permanent injunctive relief against the reverse/forward stock split, declaratory relief, rescission of the reverse/forward stock split (if necessary), rescissory and/or compensatory damages and attorneys' fees and expenses. It is our understanding that the directors deny the allegations. Settlement negotiations have taken place, resulting in a Memorandum of Understanding dated May 25, 2006 which has been executed by the legal representatives of the plaintiff, the defendant-directors, and the Company and which sets forth the framework of a proposed settlement of the litigation. The Memorandum of Understanding provides for the following:

- o The transaction will be subject to the approval of a *majority of the minority* or unaffiliated shareholders voting at the Annual Meeting or by proxy;
- o The terms of the five annual Dutch Auctions following the transaction will require the approval of both a majority vote of the full board of directors *and a majority vote of the independent directors*;
- o Additional financial information will be provided to the shareholders in advance of each of the five annual Dutch Auctions *including the then current year budget and management prepared projections for the following fiscal year*;
- o The alteration, change or modification of the shareholder protections relating to the transaction (Page 6) will require both a majority vote of the full board of directors *and a majority vote of the independent directors*;

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- o The entering into of any liquidity event , meaning a sale of all or a substantial portion of Company shares or assets during the year immediately following the transaction (Page 6) will require both a majority vote of the full board of directors *and a majority vote of the independent directors*; and

- o Plaintiff s counsel intends to apply to the court for award of fees and costs and such application may be opposed by the defendants.

The transaction price of \$15.24 per share remains unchanged.

The actual settlement of the litigation is subject to the preparation and execution of definitive documentation and the Court's approval, after notice to the Class, of the action as a class action for settlement purposes and of the settlement following completion of reasonable discovery by the Plaintiff to confirm the fairness and reasonableness of the proposed settlement to the Class, all of which the parties intend to conclude within 90 days. The settlement is contingent upon consummation of the transaction.

We cannot provide any assurance that the actual outcome of this matter will not result in liability or otherwise affect the going private transaction. The Company is providing indemnification to its directors pursuant to its by-laws and various individual agreements with respect to any costs or liability claims related to this litigation.

U.S. Federal Income Tax Consequences (Page 100)

The receipt of cash in the transaction by shareholders holding fewer than 2,000 shares is expected to be a taxable event for Federal income tax purposes. The amount of tax, if any, will depend principally on each individual shareholder's tax basis in his, her or its shares. For shareholders holding 2,000 shares or more, there should be no Federal income tax effect.

Tax matters are very complicated, and the tax consequences to you of the transaction will depend on your own situation. To review the material tax consequences in greater detail, please read the discussion under **SPECIAL FACTORS** Federal Tax Consequences.

No Dissenters' Rights (Page 99)

Under Pennsylvania law and our Restated Articles of Incorporation or By-laws, you are not entitled to dissent from the transaction and receive the fair value of your shares pursuant to any dissenters' rights statutes.

Sources of Funds; Financing of the Transaction (Page 52)

We estimate that the total funds required to pay the consideration to shareholders entitled to receive cash for their shares and to pay fees and expenses relating to the transaction will be approximately \$10,500,000. This estimate does not include the costs to defend litigation challenging the transaction which is more fully discussed under the heading **SPECIAL FACTORS** Purposes, Alternative, Reasons and Effects of the Transaction Disadvantages of Going Private (Page 26). The consideration to shareholders and the fees and expenses incurred in connection with the transaction will be paid out of cash flow from operations and from borrowings under our previously negotiated line of credit facility lead by Bank of America. For a description of the terms of the financing, please read the discussion under **SPECIAL FACTORS** Sources and Amounts of Funds or other Consideration.

Potential Conflicts of Interest of Executive Officers and Directors

Our executive officers and directors may have interests in the transaction that are or may be different from your interests as a shareholder, or relationships that may present conflicts of interest, including the following:

Each member of the Board of Directors (except one) and each executive officer (except one) holds of record 2,000 or more shares of our common stock and will retain their shares after the transaction; and

As a result of the transaction, the shareholders who own, of record at the Effective Time, 2,000 or more shares, such as certain of our directors and certain of our executive officers, will increase their respective percentage ownership interest in the Company as a result of the transaction. For example, assuming the transaction is approved, the ownership percentage of the directors and executive officers will increase from 69.11% to approximately 74.50%, on a fully diluted basis, as a result of the reduction of the number of shares of the common stock outstanding by an estimated 632,125 shares.

QUESTIONS AND ANSWERS ABOUT THE MEETING AND THE TRANSACTION

About the Annual Meeting and Voting Procedures

Q: Why did you send me this Proxy Statement?

A: We sent you this Proxy Statement and the enclosed proxy card because our Board of Directors is soliciting your votes for use at our Annual Meeting of shareholders.

This Proxy Statement provides information that you need to know in order to cast an informed vote at the meeting. However, you do not need to attend the meeting to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy card.

We began sending this Proxy Statement, notice of Annual Meeting and the enclosed proxy card on or about July 17, 2006 to all shareholders entitled to notice of and to vote at the special meeting. The record date for shareholders entitled to vote is June 6, 2006. On that date, there were 8,732,125 shares of our common stock outstanding (not including treasury stock, which cannot be voted). Shareholders are entitled to one vote for each share of common stock held as of the record date.

Q: What is the time and place of the Annual Meeting?

A: The Annual Meeting will be held at the Reed Institute, 152 Notre Dame Street, Westfield, Massachusetts adjacent to our headquarters, on Wednesday, August 16, 2006 at 10:30 a.m. local time.

Q: What am I being asked to vote on?

A: You are being asked to vote on the election of a slate of Directors which, if approved, would result in the same Directors continuing in office as are presently in office. You are also being asked to vote to ratify the decision of the Audit Committee to engage Vitale, Caturano & Company, Ltd., as auditors of the Company's financial statements for the fiscal year ending December 31, 2006. Vitale, Caturano & Company, Ltd. were the auditors of the Company's financial statements for the past two fiscal years.

You are also being asked to approve the proposed amendments to our Restated Articles of Incorporation that will provide for a reverse 1-for-2,000 stock split followed immediately by a forward 2,000-for-1 stock split. Shareholders of record whose shares are converted into less than one share in the reverse split (meaning they held fewer than 2,000 shares at the Effective Time of the transaction) will receive a cash payment from us for their fractional share interests equal to \$15.24 cash, without interest, for each share of common stock they held immediately before the transaction. Shareholders who own 2,000 or more shares at the Effective Time will continue to own the same number of shares after the transaction as they did before. After the transaction, we expect that we will no longer be subject to the reporting and related requirements of the Exchange Act, and our common stock will cease to be traded on the New York Stock Exchange. Any trading in our common stock after the transaction will only occur as facilitated by publication of trading information concerning our stock in the Pink Sheets or in privately negotiated sales.

Q: Who may be present at the Annual Meeting and who may vote?

A: All record holders of our common stock may attend the Annual Meeting in person. However, only holders of our common stock of record as of June 6, 2006 may cast their votes in person or by proxy at the Annual Meeting.

Q: What is the vote required to approve the going private transaction?

A: Under Pennsylvania law and our by-laws, the presence in person or by proxy of shareholders entitled to cast at least a majority of the votes that all shareholders are entitled to cast on a particular matter to be acted upon at the meeting shall constitute a quorum for purposes of consideration and

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action on the matter. In order to approve the reverse stock split going private transaction, under Pennsylvania law, a majority of the votes cast by all shareholders entitled to be voted is required, and in addition, the Board of Directors has conditioned the going private transaction upon the receipt of the following votes in favor of the First and Second Amendments: (i) a majority of the votes cast at the meeting by the unaffiliated holders of the outstanding shares of common stock of the Company (a so-called majority of the minority) and (ii) a majority of the votes cast at the meeting by the affiliated holders of the common stock of the Company. Shares which are present, or represented by a proxy, will be counted for quorum purposes regardless of whether the holder of the shares or proxy fails to vote on a matter ("Abstentions") or whether a broker with discretionary authority fails to exercise its discretionary authority to vote shares with respect to the matter ("Broker Non-Votes"). The affirmative vote of at least a majority of the votes cast at the meeting by all shareholders entitled to vote thereon is required to adopt any proposal and, in the election of directors, the candidates receiving the highest number of votes cast, up to the number of directors to be elected, shall be elected. For voting purposes, only shares voted either for or against the adoption of a proposal or the election of directors, and neither Abstentions nor Broker Non-Votes, will be counted as voting in determining whether a proposal is approved or a director is elected. As a consequence, Abstentions and Broker Non-Votes will have no effect on the adoption of a proposal or the election of a director.

Q: Who is soliciting my proxy?

A: The Board of Directors of the Company.

Q: What is the recommendation of our Board of Directors regarding the going private proposal?

A: Our Board of Directors has determined that the going private transaction is advisable and in the best interests of the Company and its shareholders. Our Board of Directors has therefore approved the transaction and recommends that you vote FOR approval of this matter at the Annual Meeting.

Q: What do I need to do now?

A: Please sign, date and complete your proxy card and promptly return it in the enclosed, self addressed, prepaid envelope so that your shares can be represented at the Annual Meeting. You may vote FOR the transaction, AGAINST the transaction or ABSTAIN. Your shares will be voted as you instruct on the proxy card.

Q: Should I send in my stock certificates now?

A: No. After the transaction is completed, we will send instructions on how to receive any cash payments you may be entitled to receive.

Q: If my shares are held in street name by my broker, will my broker vote my shares for me?

A: Your broker will vote your shares for you ONLY if you instruct your broker how to vote for you. Your broker should mail information to you that will explain how to give these instructions.

Q: Can I change my vote after I have mailed my signed proxy card?

A: Yes. Just send by mail a written revocation or a later-dated, completed and signed proxy card before the Annual Meeting or simply attend the Annual Meeting and vote in person. You may not change your vote by facsimile or telephone.

Q: What if I don't send back a proxy card or vote my shares in person at the Annual Meeting?

A: If you don't return your proxy card or vote your shares in person at the Annual Meeting, each of those shares will be treated as if not voted and will have the effect described above under "What is the vote required to approve the transaction?"

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Q: What happens if I sell my shares before the Annual Meeting?

A: The record date for the Annual Meeting is June 6, 2006, which is earlier than the targeted Effective Time. If you own shares of our common stock on the record date but transfer your shares after the record date, but before the transaction, you will retain your right to vote at the Annual Meeting based on the number of shares you owned on the record date. If you sell a sufficient number of shares so that you own fewer than 2,000 shares of record at the Effective Time, you will receive \$15.24 cash for each share you own immediately before the Effective Time.

Q: What happens if the Annual Meeting is postponed or adjourned?

A: Your proxy will be good and may be voted at the postponed or adjourned meeting. You will still be able to change or revoke your proxy until it is voted.

About the "Going Private" Transaction

Q: What will I receive in the transaction?

A: If you own fewer than 2,000 shares of our common stock of record immediately before the Effective Time, you will receive \$15.24 in cash, without interest, from us for each share you own of record. This transaction will not involve commissions or other transaction fees that would be charged if you sold shares on the open market. If you own 2,000 or more shares of our common stock of record at the Effective Time, you will not receive any cash payment for your shares in connection with the transaction and will continue to hold the same number of shares of our common stock as you did before the transaction. Please read the discussion under "SPECIAL FACTORS - Effects of the Transaction" (Page 31); and "SPECIAL FACTORS - Conversion of Shares in the Transaction" (Page 51) for a description of the treatment of shares held in street name.

Q: What if I hold shares in street name?

A: If you hold fewer than 2,000 shares of common stock in street name through a nominee (such as a bank or broker), your bank or broker should contact you and instruct you how to obtain cash for those shares after the Effective Time of the transaction. Please read the discussion under "SPECIAL FACTORS - Effects of the Transaction" (Page 31) and "SPECIAL FACTORS - Conversion of Shares in the Transaction" (Page 51) for a description of the treatment of shares held in street name.

Q: What if I do not want to receive cash in exchange for my shares?

A: If you hold of record fewer than 2,000 shares, you can purchase additional shares of common stock such that you own at least 2,000 shares before the Effective Time. We cannot assure you, however, that any shares will be available for such purpose.

Q: How will the Company be operated after the transaction?

A: After the transaction, we will no longer be subject to the reporting and related requirements under the federal securities laws that are applicable to public companies. We expect our business and operations otherwise to continue as they are currently being conducted and, except as disclosed in this Proxy Statement, the transaction is not anticipated to have any effect upon the conduct of such business. As a result of the transaction, shareholders of the Company who receive cash for their shares in the transaction will no longer have a continuing interest as shareholders of the Company and will not share in any future earnings and growth of the Company. Also, we expect that after the transaction, our common stock will be delisted from the New York Stock Exchange. Any trading in our common stock will only occur as facilitated by the Pink Sheets or in privately negotiated sales, which may adversely affect the liquidity of the common stock.

Q: When do you expect the transaction to be completed?

A: We are working toward completing the transaction as quickly as possible, and we expect the transaction to be completed at 4:00 p.m. on August 16, 2006 or as soon as reasonably practicable thereafter, whereupon trading of our shares on the New York Stock Exchange will cease.

Q: What are the federal income tax consequences of the transaction to me?

A: The receipt of cash in the transaction will be a taxable event for federal income tax purposes. Shareholders who do not receive cash in the transaction should not be subject to taxation as a result of the transaction. To review the material tax consequences in greater detail, please read the discussion under **SPECIAL FACTORS** Federal Tax Consequences. (Page 100)

Q: May I buy additional shares in order to remain a shareholder of the Company?

A: Yes. So long as you are able to acquire a sufficient number of shares so that you own 2,000 or more shares at the Effective Time of the transaction, which we expect to occur at 4:00 p.m. on August 16, 2006 or as soon as reasonably practicable thereafter, your shares of our common stock will not be cashed-out in the transaction. We cannot assure you, however, that any shares will be available for such purpose.

Q: Who can help answer my questions?

A: If you have any questions concerning the transaction or the special meeting, or if you would like additional copies of this proxy statement or proxy card, please contact: J. Nicholas Filler, Senior Vice President Corporate and Legal Affairs (413-564-5514 nfiller@mestek.com), or Timothy P. Scanlan, Associate General Counsel (413-564-5849 tscanlan@mestek.com).

SPECIAL FACTORS

Overview of the Company and the Going Private Transaction

General Description

The Company, in its present form, has been public since Reed National Corporation merged with Mestek, Inc. in 1986. During the past two years, management and members of the Board of Directors have periodically and informally discussed withdrawing from registration with the SEC due to the limited benefits we have realized from our public company status and the increasing costs we were incurring and estimated would be incurring going forward.

On January 19, 2005, we issued a press release and filed a Current Report on Form 8-K with the SEC publicly announcing that John E. Reed was proposing to a Special Committee of independent directors of our Board of Directors, appointed at our December 13, 2004 regular Board of Directors meeting (the Special Committee), that our 86% equity interest in Omega Flex, Inc. (Omega) be spun ~~off~~^{off} *off*, to all of our public shareholders as of a record date to be established (the Spin-Off), and that, following the Spin-Off, the Company enter into a going private transaction. In connection with the proposed going private transaction, we would seek to reduce the number of holders of our common stock to less than 300, thereby enabling us (though not Omega) to elect (i) to terminate the registration of our common stock under the Exchange Act and (ii) to suspend our obligation to file annual and periodic reports, such as Quarterly Reports on Form 10-Q, Annual Reports on Form 10-K, Current Reports on Form 8-K, Proxy Statements and Annual Reports as required under Regulation 14A under the Exchange Act and to make other filings or take other actions under federal securities laws, such as the Sarbanes-Oxley Act of 2002, generally, although our remaining shareholders will have the right to inspect the books and records and receive financial statements of the Company in accordance with the applicable provisions of the Pennsylvania Business Corporation Law.

In connection with the proposed going private transaction, we would seek to de-list ourself from trading on the New York Stock Exchange.

Our Board of Directors, at a Special Meeting held on May 2, 2006, has unanimously authorized, and recommends that our shareholders approve the going private transaction. The going private transaction is to be accomplished by filing an amendment to our Restated Articles of Incorporation, whereby the existing 8,732,125 issued and outstanding shares of our common stock registered in the name of shareholders of record as of the Effective Time, together with treasury shares, be reclassified in a reverse stock split of 1 share for each 2,000 issued, subject to our receipt of shareholder approval at our Annual Meeting of Shareholders on August 16, 2006 (the Annual Meeting). The amendment will provide that fractional shares of those shareholders owning fewer than one share will not be issued and such shareholders will receive payment in cash of \$15.24 per share for each pre-split share of common stock held by such shareholder. The going private transaction further contemplates that immediately after the filing of the first amendment to our Restated Articles of Incorporation, the Restated Articles of Incorporation be further amended whereby the issued and outstanding shares of our common stock be reclassified in a Forward Stock Split of 2,000 shares for each 1 share issued.

If approved the transaction will become effective shortly after the Annual Meeting upon the filing of the amendments to our Restated Articles of Incorporation with the Pennsylvania Department of State (the Effective Time). The form of the proposed amendments to our Restated Articles of Incorporation necessary to effect the transaction is attached to this Proxy Statement as Annex A and Annex B. Upon the transaction becoming effective, trading in our common stock on the New York Stock Exchange will cease.

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We intend for the transaction to treat shareholders holding common stock in street name through a nominee (such as a bank or broker) in the same manner as shareholders whose shares are registered in their names, and nominees will be requested to effect the split transaction for their beneficial holders. However, nominees may have different procedures, and shareholders holding shares in street name should contact their nominees.

As a result of the proposed going private transaction, management believes that we will be able to realize significant cost savings by the elimination of most of the expenses related to the disclosure, reporting

and compliance requirements of the Exchange Act, the Sarbanes-Oxley Act, other securities laws or regulations and the listing requirements of the New York Stock Exchange for our common stock. The costs associated with these obligations comprise a significant overhead expense. These costs include professional fees for our auditors and corporate counsel, printing and mailing costs, internal compliance costs, and transfer agent costs. These SEC registration-related costs have been increasing over the years, and we believe that they will continue to increase, particularly as a result of the additional procedural, reporting, auditing and disclosure obligations imposed on public companies by the Sarbanes-Oxley Act in general and Section 404 of the Sarbanes-Oxley Act in particular.

Our Board of Directors determined that the recurring expense and burden of maintaining many small shareholder accounts, coupled with the costs associated with maintaining registration of our common stock under the Exchange Act, is not cost efficient for the Company. Additionally, our Board of Directors determined that, even as a publicly traded stock, there is a limited trading market for our common stock, especially for sales of larger blocks of shares.

Our Board of Directors also concluded that our shareholders derive little benefit from our status as a publicly held corporation when compared with the costs of being a public company. Such benefits not utilized to any significant degree include access to the public markets for purposes of raising capital and for acquisitions, the providing of public markets for liquidity purposes for publicly held company shareholders and the prestige of being a publicly held company which can be helpful in recruiting, attracting and retaining key officers, directors and staff. In fact, our Board of Directors has observed that we have been able to successfully finance our operations through the profits generated from operations as well as from traditional bank financing. Indeed, we have made over 20 acquisitions in the last 20 years and have been able to successfully finance these through bank loans and cash flow from operations. Consequently, our Board of Directors concluded that we are not likely to need access to public markets for purposes of attraction of capital for operations, expansion or acquisitions.

In terms of shareholder liquidity, although listed and traded on the New York Stock Exchange, our trading volume over the period from January 1, 2003 through June 1, 2006 was approximately 4,075 shares per day. As a result of this low trading volume, the ability of our shareholders to trade their shares is more limited than the ability of shareholders of many other publicly traded companies to trade their shares. Our Board of Directors has concluded that there is no broad and deep public market in our shares which would provide significant liquidity to larger shareholders who may wish to sell our shares. Indeed our Board of Directors believes that one advantage of the transaction is that it does provide liquidity to shareholders holding fewer than 2,000 shares so that they may receive a reasonable and fair cash price for their stock, at a premium to the pre-announcement trading price of our common stock, without paying brokerage fees. See **SPECIAL FACTORS** Purposes, Alternatives, Reasons and Effect Advantages of Going Private (Page 24) and Alternatives Considered (Page 29) for a more detailed description of the reasons of our Board of Directors to pursue the transaction in particular instead of an alternative transaction structure.

Our Board of Directors also concluded that we have recruited, and have historically been able to recruit adequate staff and personnel and do not have the need, in our industry, to be a publicly held company in order to attract and retain capable managers and personnel. We believe that we are adequately staffed to meet current and future foreseeable needs. Thus, our Board of Directors has concluded we do not benefit significantly by this attribute of publicly held companies.

Our Board of Directors also concluded that, as a private company, management would have increased flexibility to consider and initiate actions that may produce long-term benefits and growth without the pressure and expectation to produce quarterly earnings per share growth. As a result, our Board of Directors directed management to more formally explore the possibility of reducing our number of shareholders of record to below 300 in order to terminate the registration of our common stock with the SEC.

Management analyzed and advised the Board of Directors as to the various alternatives for consummating a going private transaction, including:

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a reverse stock split followed by the purchase by the Company of fractional shares,
an affiliated group tender offer, followed by a clean up short form or long form merger,

a self-tender by the Company, followed by the creation of an acquisition subsidiary to facilitate a clean up short form or long form merger,
the formation by an affiliated group of a Newco entity to merge with the Company, without a preceding tender offer,
the formation of an acquisition subsidiary of the Company to merge with the Company without a preceding self-tender offer,
a tender offer by a private equity investor or investors for all or a substantial portion of our stock not held by our affiliates, and
a tender offer for up to 1999 shares of stock from all current shareholders.

Management considered various factors including the cost to the Company of each of these alternatives, the benefits to our various stakeholders of the various alternatives, the likelihood of achieving our stated goal of having less than 300 shareholders, the complexity of the various alternatives, and the time required to accomplish various alternatives, and recommended to the Board of Directors that, in its opinion, the reverse stock split (followed by a forward stock split) best accomplished the stated purposes.

How the Reverse Stock Split Ratio Was Determined

Our shareholders can be divided into three groups: (1) record shareholders, or those shareholders who hold their own share certificates, whose identity and holdings are known to us; (2) Non-Objecting Beneficial Owners (NOBO), or those shareholders holding in street name who have agreed to identify themselves, whose identity and holdings are also known to us; and (3) Objecting Beneficial Owners (OBO), or those shareholders holding in street name who have not identified themselves and whose identity and holding may not be known to us. As of June 6, 2006, we had 818 shareholders of record. The total number of shareholders in the Company (Record, NOBO and OBO Shares), is estimated at 1,720.

As of the Record Date, approximately 1,341 of our 818 shareholders of record and 603 NOBO shareholders of our common stock owned fewer than 2,000 shares. At that time, these shareholders represented approximately 94% of the total number of known shareholders of such common stock, but these accounts represented approximately only 4.2% (362,424 shares of 8,732,125 shares outstanding) of the total number of outstanding shares of common stock.

We do not know the exact number of shares of common stock owned by OBOs who own fewer than 2,000 shares of our common stock nor who, precisely, holds those shares. However, based on the number of sets of proxy materials that are requested by the brokers, dealers, etc., we estimate that there are approximately 600 such OBO shareholders owning beneficially approximately 4,694,458 shares or 54% of the total number of outstanding shares of our common stock. Based on the holdings of our shareholders of record and a list of our NOBO shareholders and our estimates of the holdings of our OBO stockholders, we estimate that there are an aggregate of approximately 632,125 shares of our common stock, representing approximately 7.2% of our 8,732,125 outstanding shares, held by shareholders holding fewer than 2,000 shares.

Given that the number of OBO shareholders is unknown, our Board of Directors determined that it must cash out shareholders holding fewer than 2,000 shares in order to reduce the total number of shareholders to a number safely below 300.

Our Board of Directors considered ratios both lesser than and greater than 2,000 to 1, but ultimately rejected these alternatives due to the possibility that a lesser ratio may not accomplish the goal of reducing the total number of shareholders to less than 300 and that a greater ratio was unnecessary to achieve this result.

Many of the estimated 175 shareholders owning greater than 2,000 shares would have owned some fractional shares as a result of the reverse split transaction. However, by reason of the follow-on forward split transaction, these shareholders will ultimately receive the same number of whole shares previously owned by them, and will not be cashed out.

In making the computations presented elsewhere in this proxy statement (including the preparation of the pro forma financial information included herein), we have assumed that all of the beneficial owners of

fewer than 2,000 shares held in nominee name have the shares transferred into their respective names and, therefore, will be cashed-out in the transaction.

The Reverse Stock Split

The going private transaction will be accomplished through an amendment to our Restated Articles of Incorporation providing for a 1-for-2,000 reverse stock split of our common stock. Shareholders holding fewer than 2,000 shares of common stock at the Effective Time will be entitled to receive a cash payment from us in an amount equal to \$15.24 for each share of common stock they held prior to the reverse stock split, without interest. Shareholders holding fewer than 2,000 shares of common stock at the Effective Time of the amendment to the Restated Articles of Incorporation effecting the reverse stock split will no longer be shareholders of the Company and will be entitled only to receive a cash payment. Shareholders holding 2,000 or more shares at the Effective Time will continue to hold that number of shares of common stock equal to the number of shares such shareholder held prior to the reverse stock split divided by 2,000 and will not receive any cash payment. Such shareholders will continue to be shareholders of the Company following the reverse stock split, and will subsequently receive shares in accordance with the terms of the forward stock split described below, resulting, for convenience, in the reinstatement of the same number of shares in their respective hands as they held prior to the reverse stock split.

The shares of common stock acquired by us as a result of the reverse stock split will be retired, which will reduce the number of outstanding shares.

The Forward Stock Split

Immediately following the reverse stock split, we will amend our Restated Articles of Incorporation to effect a 2,000-for-1 forward stock split. Only shares of common stock that are held by those shareholders who continue to hold at least one whole share of common stock following the reverse stock split will be subject to this forward stock split. Shareholders holding at least one whole share of common stock at the effective time of the amendment of the Restated Articles of Incorporation effecting the forward stock split will hold that number of shares equal to the number of shares such shareholder held prior to the forward stock split multiplied by 2,000. Ultimately, shareholders holding 2,000 or more shares at the time of the reverse stock split will hold the same number of shares following the forward stock split. Shareholders who hold only fractional shares following the reverse stock split will not be affected by the forward stock split and will be entitled only to the cash payment described above.

The forward stock split will not change our number of shareholders and will not, therefore, affect the termination of the registration of our common stock and our becoming a private company. The forward stock split will reduce the total cost of the transaction because, without the forward stock split, we would be required to either pay cash to purchase fractional shares from shareholders who continue to own at least one whole share and a fraction of common stock following the reverse stock split or assume the administrative burden of issuing and maintaining records for fractional shares or scrip.

Shareholder Protections

Our By-laws will be amended to provide protections for our shareholders cashed out as a result of the transaction and for our shareholders who remain after the transaction (the Shareholder Protections). The Shareholder Protections will be set forth in Article 13 of our Second Amended

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and Restated By-laws. A copy of our Second Amended and Restated By-laws, which will become effective at the Effective Time, is attached as Annex I to this Proxy Statement. Shareholders of the Company are urged to read our Second Amended and Restated By-laws carefully, and in particular the Shareholder Protections in Article 13.

In summary, the Shareholder Protections are as follows:

Quotation on the Pink Sheets. During the five years immediately following the transaction, we will use commercially reasonable efforts to cause our common stock to be quoted on the Pink Sheets. The Pink Sheets is a centralized quotation service that collects and publishes market maker quotes in real time, primarily through its web site, <http://www.pinksheets.com>. We will use commercially reasonable efforts to provide

our financial statements, annual report and such other information relating to our securities, business, products, facilities and management as is (1) required by Rule 15c2-11 of the Exchange Act, and (2) necessary to complete an NASD Form 211 to an SEC registered broker-dealer that is a member of NASD. We will also assist individuals and institutions to liquidate their substantial holdings of shares of our common stock, including, without limitation, using our commercially reasonable efforts to find a broker willing to execute Pink Sheets orders in our common stock.

Contingent Payment Right. In the event we have a Liquidity Event during the one year period following the transaction (the Liquidity Period), we will be obligated to pay (the Contingent Payment Right) to each cashed out shareholder in the transaction a cash amount for each share of our common stock held by the cashed out shareholder immediately prior to the Effective Time equal to the excess, if any, of the Event Value Per Transaction Share over the Event-Adjusted Transaction Price Per Share.

- o Liquidity Event. A Liquidity Event means the entering into by us a definitive agreement to complete any of the following, a resolution of our Board of Directors to complete any of the following, or the completion of any of the following:
 - our liquidation, winding up or dissolution (a Termination Event);
 - the sale, transfer or other disposition in one or more related transactions of shares of our common stock representing 25% or more of the total shares of our common stock then outstanding, whether by merger, consolidation or otherwise (a Stock Event); and
 - the sale, transfer or other disposition in one or more related transactions of our assets, other than sales, transfers or dispositions of inventory in the ordinary course of business, with an aggregate book value as of the Effective Time representing 25% or more of the aggregate book value of our consolidated assets as of the Effective Time (an Asset Event).
- o Event Value Per Transaction Share. Event Value Per Transaction Share means:
 - in the case of a Termination Event, an amount equal to (A) the aggregate value of all cash plus the fair market value of all property to be distributed to the holders of our common stock in the Termination Event divided by (B) the total number of issued and outstanding shares of our common stock as of the date of the Termination Event;
 - in the case of a Stock Event, an amount equal to (A) the aggregate value of all cash plus the fair market value of all property received in exchange for the shares of our common stock sold, transferred or disposed of in the Stock Event divided by (B) the total number of shares of our common stock sold, transferred or disposed of in the Stock Event; and
 - in the case of an Asset Event, an amount equal to (A) (1) the aggregate value of all cash plus the fair market value of all property received in exchange for our assets sold, transferred or disposed of in the Asset Event, less (2) the taxes payable by us as a result of the Asset Event, divided by (B) the total number of shares of our

common stock issued and outstanding immediately prior to the Effective Time.

For purposes of determining the Event Value Per Transaction Share, the value of any property other than cash will be determined by a majority of our Board of Directors and a majority of our independent directors.

- Event-Adjusted Transaction Price Per Share. Event-Adjusted Transaction Price Per Share means:
 - in the case of a Termination Event, \$15.24;
 - in the case of a Stock Event, \$15.24; and
 - in the case of an Asset Event, the product of (A) \$15.24 and (B) the ratio of the aggregate book value, determined as of the Effective Time, of the our assets sold, transferred or disposed of in the Asset Event over the aggregate book value of our consolidated assets as of the Effective Time.
- Dividends. With certain exceptions in the case of a Termination Event, we will not declare or pay any dividends on shares of our common stock during the Liquidity Period until the cashed out shareholders in the transaction shall have first received, or simultaneously receive, a dividend on each share of our common stock held by them immediately prior to the Effective Time in an amount equal to the per share amount of the dividends paid on our common stock.
- Restriction on Stock Issuance. We will not issue during the Liquidity Period any shares of capital stock other than our common stock without first obtaining the consent of a majority of our Board of Directors and the consent of a majority of our independent directors (a Preferred Stock Issuance). In the event we do have a Preferred Stock Issuance, our Board of Directors and independent directors will make equitable and appropriate adjustment to the provisions governing the contingent payment right to reflect the effects of the Preferred Stock Issuance.
- Payment Procedure. If the Contingent Payment Right is triggered, we will pay each cashed out shareholder in the transaction his, her or its contingent payment within five days of the closing date of the Termination Event, Stock Event or Asset Event, as applicable.
- Form of Right. The Contingent Payment Right will not be represented by a certificate or other form of instrument, represent an ownership or equity interest in us, confer dividend, voting or any other form of shareholder rights, bear stated interest, or be transferable, unless under the laws of wills, distribution or descent, or by operation of law.

Dutch Auction. In each of the five calendar years immediately following the transaction, we will hold one Dutch auction for shares of our common stock and agree to purchase at least \$2,500,000 of our common stock in each auction. Each auction will be held between April 1 and June 1 of such year, with the first auction occurring between April 1, 2007 and June 1, 2007. The foregoing commitment is subject to our compliance with reasonable constraints imposed by bank covenants and financial ratios, as determined by a majority of our Board of Directors and a majority of our independent directors. Additional financial information will be provided to the shareholders in advance of each of the five annual Dutch Auctions, including the then current year budget and management-prepared projections for the following fiscal

year. Other than the parameters specified above, the terms and conditions of each year's Dutch Auction will be determined by a majority of our Board of Directors and a majority of our independent directors.

Board of Directors and Committee Composition. A majority of our Board of Directors will consist of independent directors, as defined by the New York Stock Exchange. Our Audit and Compensation Committees will consist entirely of independent directors.

Financial Reporting. We will provide each of our shareholders quarterly and annual audited financial reports, similar in general content to, but not necessarily in as great detail or in the same format as, the reports required by the Exchange Act. Each quarterly report will be delivered to shareholders within 45 days of the end of each of our first, second and third fiscal quarters and each annual report will be delivered to shareholders within 90 days of the our fiscal year end. The annual report shall include our consolidated audited balance sheet as at the end of such year and our consolidated audited statements of income, cash flows and changes in shareholders' equity for such year, certified by our independent certified public accountants and prepared in accordance with generally accepted accounting principles consistently applied. The annual report will also include the compensation paid to each of our executive officers for such year.

Shareholder questions. Our management will entertain questions asked by our shareholders and endeavor to answer the questions fully and frankly;

Conflicts. We will not enter into any transaction with any of our directors, executive officers or ten percent (10%) stockholders, or any immediate family members of such persons, including a transaction described in Item 404 of Securities and Exchange Commission Regulation S-K, without first obtaining the prior approval of our Audit Committee. We will promptly report to our independent directors and our shareholders any such interested transaction. The Compensation Committee will recommend to our Board of Directors the compensation for each member of our senior management.

Whistleblower hotline. We will provide a telephone and email hotline to facilitate confidential reporting of improper activity by shareholders, employees, suppliers and others to our Audit Committee or other designated governing body.

Except as otherwise described above, each of the Shareholder Protections will be in effect for the five years immediately following the transaction. During the five years immediately following the transaction, the Shareholder Protections set forth in our By-laws may not be amended, modified, waived or terminated, unless the amendment, modification, waiver or termination is approved by a majority of our Board of Directors and a majority of our independent directors.

Purposes, Alternatives, Reasons and Effects of the Transaction

Reasons for Going Private

While many of the factors suggesting that we consider going private have existed for many years, the compelling reason for choosing to go private at this time is the anticipated additional expense of compliance with the internal control, audit assessment and review requirements of Section 404 of the Sarbanes-Oxley Act, both in terms of outside costs and internal time of officers and staff. For a company of our size and capitalization with the numerous, relatively small manufacturing operations we have, the internal control enhancement implementation costs, the costs of external auditor assessment and certification and the costs of continuous review and updating required by the current interpretations of Section 404 of the Sarbanes-Oxley Act are believed by management to require substantial expenditures in preparation for the implementation of this requirement, commencing in this fiscal year and continuing for the foreseeable future.

No Need for Access to the Public Markets. We are only marginally enjoying the benefits of being a publicly-held company. Such benefits include

access to the public markets for purposes of raising capital and for acquisitions, and

the providing of public markets for liquidity purposes for a publicly held company's shareholders and the prestige of being a publicly held company which can be helpful in recruiting, attracting and retaining key officers, directors and staff.

In fact, we have been able to successfully finance our operations, expansions and acquisitions, through profits generated from operations as well as through traditional bank financing.

Also, while we have had a very modest stock option plan in which five executives have participated, grants of options have been infrequent, and we believe we have adequate staff and personnel without the necessity of a sizeable stock option program or other equity-based incentives. No options are currently outstanding nor have any been awarded since 2001. We have not seen the need in our specialized industry to be a publicly held company in order to attract and retain capable managers and personnel.

Lack of an Active Trading Market. Our Board of Directors believes the public marketplace has less interest in public companies with a limited amount of shares available for trading (float) in the public marketplace. Our Board of Directors believes it is unlikely that our common stock would ever achieve significant trading volume in the public marketplace so as to create a significant active and liquid market. The realization that our common stock might not, in the foreseeable future, achieve significant trading volume as a public company is one of the reasons that caused our Board of Directors to conclude that we are not benefiting substantially from being a public company, and that it would be in our best interest and the best interest of our shareholders for us to be privately held.

Advantages of Going Private

Cost Savings. As a public company, we are required to prepare and file with the Securities and Exchange Commission, among other items, the following:

Quarterly Reports on Form 10-Q;

Annual Reports on Form 10-K;

Proxy statements and annual shareholder reports as required by Regulation 14A under the Exchange Act; and

Current Reports on Form 8-K

Also, as a public company, we will become required, as of the fiscal year ending December 31, 2007, to have our independent auditors certify as to the status of our internal control systems and procedures, under the requirements of Section 404 of the Sarbanes-Oxley Act.

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The external costs associated with these reports and other filing obligations as well as other external costs relating to public company status comprise a significant overhead expense, made up principally of the following:

<u>Fiscal Year Ended</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Audit, Audit Related Fees, and Tax	\$419,954	\$294,817	\$456,321	\$279,786
Other Accounting Fees	\$30,000	\$21,183	\$71,094	\$31,300
Sarbanes-Oxley Act and Other Related SEC Compliance	\$57,812	\$359,462	\$101,043	\$26,766
Audit Committee Costs	\$28,798	\$23,625	\$16,500	\$0
Listing, Transfer Agent, D&O Insurance, Other Public Company Costs	<u>\$166,768</u>	<u>\$213,167</u>	<u>\$101,010</u>	<u>\$123,978</u>
Totals	\$703,332	\$912,254	\$745,968	\$461,830

The historical public company costs presented above are significant as a percentage of our total cost of administration. The reporting and filing costs primarily include professional fees for our auditors and corporate counsel and external compliance costs incurred in preparing and reviewing such filings. They do

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not include executive or administrative time involved in the process. The Company expects that the going private process will result in the elimination of approximately \$350,000 per year of the above historical public company costs. For example, we estimate that we will be able to save approximately (i) \$177,000 in accounting and audit fees, which would otherwise have been payable to Vitale Caturano & Company, Ltd., (ii) \$58,000 in fees which would otherwise be payable our securities counsel, Greenberg Traurig, LLP, (iii) \$35,000 which would otherwise be payable to the New York Stock Exchange, (iv) \$35,000 on our Directors and Officers liability insurance premiums, (v) \$25,000 on our audit committee expenses, (iv) \$15,000 on our transfer agent fees, and (v) \$5,000 on our annual report costs.

Not reflected in the above historical cost breakdown is the incremental spending which the Company anticipates it would have to incur in the latter part of 2006 and in 2007 to comply with the requirements of Section 404 of the Sarbanes-Oxley Act. Management believes this one time spending would exceed \$1,500,000 and would be followed by incremental annual costs related to the requirements of Section 404 of approximately \$500,000. Total costs avoided therefore, as a result of going private, include \$850,000 per annum in historical public company costs eliminated and future Section 404 costs avoided, as well as future one-time costs related to the implementation of Section 404 of at least \$1,500,000.

We anticipate that the cost savings from going private will offset the transaction cost in less than one year based upon an estimated transaction cost of \$866,000 (not including the cost of any litigation relating to the transaction).

None of these cost estimates includes the cost or time of any personnel or management currently employed by us. These estimates are consistent with a study sponsored by PricewaterhouseCoopers, LLP, Deloitte & Touche, LLP, KPMG, LLP and Ernst & Young LLP, described in the Wall Street Journal on April 19, 2006. According to the Wall Street Journal, that study found that the average cost of companies with market capitalization between \$75,000,000 and \$700,000,000 for fees to outside suppliers, company internal control costs and internal controls auditing costs, all relating to the requirements of Section 404 of the Sarbanes-Oxley Act, were approximately \$860,000.

We believe the Sarbanes-Oxley Act and related regulations will have the effect of significantly increasing the internal burdens and potential liabilities of being a public reporting company, as well as increasing compliance costs, legal fees, audit fees, director and officer insurance premiums and compensation for outside directors.

Directors and Officers (D&O) Liability Insurance. One of the major costs relating to public company status is directors and officers (D&O) liability insurance, which cost has increased over the last few years. We currently pay \$98,000 annually for \$10,000,000 of D&O liability coverage with a \$200,000 retention. Our inquiries have revealed private companies paying lower amounts for the same amount of coverage. We estimate that as a private company we will save approximately \$35,000 per year on D&O liability insurance.

Expense of Maintaining Numerous Small Shareholders. In addition to the direct and indirect costs associated with the preparation of the filings under the Exchange Act and the recent additional reporting and disclosure obligations referenced above, and the costs associated with procuring and maintaining D&O liability insurance, the costs of administering and maintaining many small shareholder accounts is significant. The cost of administering each shareholder's account is essentially the same regardless of the number of shares held in that account. Therefore, our costs to maintain such small accounts are disproportionately high when compared to the total number of shares involved. Such costs are included in the tabular presentation set forth above.

Concentration of Ownership. In addition, our Board of Directors took into consideration that our Chairman and CEO, John E. Reed and members of his family, including trusts for his and his family members benefit, beneficially own in excess of 68% of our issued and outstanding stock, and that a relatively large number of shareholders hold fewer than 2,000 shares, owning in the aggregate only 7.2% of our outstanding shares. As a result, our Board of Directors concluded the costs associated with reducing the number of shareholders of record below 300 were reasonable in view of the anticipated benefits of being privately held.

Other Considerations. The going private transaction is a simple, straight-forward method of reducing the number of shareholders below the public company threshold and it is expected that shareholders receiving the cash payments will generally be eligible to receive capital gains treatment on the proceeds and will avoid paying brokerage commissions and fees in achieving liquidity for their shares.

As a company subject to the disclosure requirements of the Exchange Act, we have certain obligations to publicly disclose material information about our operations and other significant corporate events. Following the transaction, we will no longer be subject to those requirements, and will be able to maintain important operational and other information in relative confidence. Disclosure to shareholders of certain information may still be required in connection with undertaking significant corporate transactions, and limited state law provisions regarding disclosure of information to shareholders upon request will still apply to us. Nevertheless, the significant reduction in the number of shareholders and elimination of the necessity to comply with the disclosure requirements of the Exchange Act will result in our being able to retain important operational and other business information in confidence.

A transaction that results in de-registration under the Exchange Act will allow management to focus additional time and effort on effectively managing our business and operations without the administrative burdens of SEC and related compliance.

In addition, the public markets place pressure on companies to manage the business to achieve short-term objectives such as quarterly per share earnings. Often, companies are encouraged to make certain decisions for the benefit of short-term earnings that may not be in the best interests of sustained long-term growth. Even though we do not enjoy any research analyst following, our stock price performance can be seen by customers, suppliers and competitors as an indicator of the health of our business. As a result, our business must be managed with an understanding of how operating decisions will affect the public market price of the stock. Following the transaction, management would be better able to run the business with the shareholders' long-term interests in mind since it would no longer have to meet public expectations of near-term stock price performance.

The absence of public shareholder constituents will allow management more flexibility in the operation of our business since we will no longer need to be concerned about public market reaction or perception (apart from, of course, the reactions and perceptions of our customers, vendors and industry participants in general). This should allow management to react more quickly to specific market or customer conditions.

One advantage to the transaction is that it does provide a means of liquidity to shareholders holding fewer than 2,000 shares to receive a reasonable and fair cash price for their stock without brokerage commission and at a premium over the traded price of our common stock prior to the announcement of the going private transaction.

Our management believes, and our Board of Directors concurs, that our long-term viability and ultimate success is best served by going private. The going private proposal is being made at this time because the sooner the proposal can be implemented, the sooner we will cease to incur the expenses and burdens of being a public company (which are expected to significantly increase in the near future) and the sooner shareholders who are to receive cash in the transaction will receive and be able to reinvest or otherwise make use of such cash payments. We have determined that there are limited advantages, and yet there are significant and increasing disadvantages for us to remain public. Our management believes, and our Board of Directors has agreed, that the transaction is the most feasible way to become a private company.

Disadvantages of Going Private

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While our Board of Directors believes the transaction is fair to the Company and our shareholders including our unaffiliated shareholders, our Board of Directors recognizes that such a transaction may have certain disadvantages to the Company and to those shareholders who hold, at the Effective Time, either 2,000 or more shares or those who hold fewer than 2,000 shares of our common stock.

Disadvantages of the Transaction to Our Shareholders Who Will be Cashed Out, Including Unaffiliated Shareholders Who Will be Cashed Out.

No Participation in Potential Future Appreciation. The shareholders who are cashed out in the transaction will no longer own any equity interest in the Company and, other than with respect to a transaction which results in the implication of the contingent payment shareholder protection in place for one year following the transaction more fully described under **SPECIAL FACTORS Overview of the Company and the Transaction Shareholder Protections** (Page 20), will have no opportunity to participate in or benefit from any potential future appreciation in our value. In addition, those shareholders will not have the opportunity to liquidate their shares at a time and for a price of their choosing. However, our Board of Directors believes that this one time opportunity to realize the fair cash value of the shares at a price above what the shares were trading at prior to the announcement of the transaction is an important benefit that outweighs this disadvantage.

Disadvantages of the Transaction to the Shareholders Who Will Remain Shareholders in the Company Including Unaffiliated Shareholders Who Will Remain Shareholders in the Company.

Reduced Liquidity. Shareholders owning at least 2,000 shares at the Effective Time of the transaction will remain shareholders of the Company. Because we will terminate the registration of our common stock under the Exchange Act and our common stock will no longer be listed or traded on the New York Stock Exchange (or any other public market, other than, perhaps, the **Pink Sheets**), there can not be any assurance of any established market in which to sell shares of our common stock following the Transaction. In addition, we will no longer be subject to most provisions of the Sarbanes-Oxley Act or to certain provisions of the Exchange Act and our officers will no longer be required to certify the accuracy of our financial statements.

Also, the continuing shareholders will bear all risk of loss from our operations and any diminution in value of our stock.

The transaction does include, however, the shareholder protections, as described in section **SPECIAL FACTORS Overview of the Company and the Transaction Shareholder Protections** (Page 20).

Disadvantages of the Transaction to the Company. Our Board of Directors also considered the following potential adverse consequences of the transaction to the Company:

Reduced Management Incentive. The lack of liquidity provided by a ready market may result in fewer opportunities to utilize equity based incentive compensation tools to recruit and retain top executive talent. Stock options and other equity based incentives are typically less attractive if they cannot be turned into cash quickly and easily once earned. Our Board of Directors believes that this is unlikely to have any significant adverse impact on us, since stock options and other equity based incentives have not been a significant part of our executives' compensation packages in the past.

Less Attractive Acquisition Currency. Stock that is registered with the SEC and actively traded on an exchange or quotation system is generally a more attractive acquisition currency than unregistered stock, since the acquirer of the publicly traded security has constant access to important information about the publicly traded company and can access the market to sell the stock and can easily determine the value of the stock (i.e., the price to be received upon sale). An acquirer of illiquid securities of a private company must depend on liquidity either via negotiated buy-out or buy-back arrangements, or a liquidity event by the Company that is generally outside of his/her control. Our Board of Directors recognized that this may not be a significant disadvantage, however, because (i) the relative illiquidity of our shares makes our stock less attractive for larger investors than most publicly traded securities with significant trading volume; and (ii) we have not historically utilized our stock as currency in acquisitions.

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Reduced Equity Capital Raising Opportunities. One of the primary reasons many companies go public is to be able to more easily and efficiently access the public capital markets to raise cash. Similar opportunities are generally less available (without significant

expense) to companies that do not wish to have a class of securities registered with the SEC. Following the transaction, since we will no longer be registered with the SEC and public information regarding us will no longer have a class of equity securities readily accessible, it will likely be more costly and time consuming for us to raise equity capital from public or private sources. Again, our Board of Directors has concluded that this may be of little significance to us since this has not been, and is not expected to be, an action that we would wish to pursue.

Loss of Prestige. Public companies are often viewed by shareholders, employees, investors, customers, vendors and others as more established, reliable and prestigious than privately held companies. In addition, public companies are typically followed by analysts who publish reports on their operations and prospects, and garner more press and media coverage than companies whose securities are not available for purchase by the investing public. Companies who lose status as a public company may risk losing prestige in the eyes of the public, the investment community and key constituencies. However, our Board of Directors felt that this was not a significant factor in considering whether to undertake a going private transaction. Much of our shareholder base includes persons familiar with the HVAC and Metal Forming industry who know our products and services, our history and our reputation. Our Board of Directors believes that a going private transaction would not likely alter the perception of us in their eyes, or in the eyes of our employees, suppliers and customers who are aware of our position in the industry.

Less Credit Availability. Cash to be paid out will reduce our credit availability to finance growth initiatives such as acquisitions, new product development and capital expenditures.

Additional Disadvantage - Ongoing Legal Claim Relating to Going Private Transaction

On April 10, 2006, Alan Kahn filed a putative class action complaint in the Superior Court in Hampden County of the Commonwealth of Massachusetts against the directors of the Company, alleging, among other things, that the directors breached their fiduciary duties in connection with the certain aspects of the going private transaction proposed by the Company and approved by the directors. Plaintiff purports to bring the action individually and on behalf of a putative class of all unaffiliated shareholders. The complaint seeks preliminary and permanent injunctive relief against the reverse/forward stock split, declaratory relief, rescission of the reverse/forward stock split (if necessary), rescissory and/or compensatory damages and attorneys' fees and expenses. It is our understanding that the directors deny the allegations. Settlement negotiations have taken place, resulting in a Memorandum of Understanding dated May 25, 2006 which has been executed by the legal representatives of the plaintiff, the defendant-directors, and the Company and which sets forth the framework of a proposed settlement of the litigation. The Memorandum of Understanding provides for the following:

- o The transaction will be subject to the approval of a *majority of the minority* or unaffiliated shareholders voting at the Annual Meeting or by proxy;
- o The terms of the five annual Dutch Auctions following the transaction will require the approval of both a majority vote of the full board of directors *and a majority vote of the independent directors*;
- o Additional financial information will be provided to the shareholders in advance of each of the five annual Dutch Auctions *including the then current year budget and management prepared projections for the following fiscal year*;
- o The alteration, change or modification of the shareholder protections relating to the transaction (Page 6) will require both a majority vote of the full board of directors *and a majority vote of the independent directors*;
- o

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The entering into of any liquidity event , meaning a sale of all or a substantial portion of Company shares or assets during the year immediately following the transaction (Page 6) will require both a majority vote of the full board of directors *and a majority vote of the independent directors*; and

o Plaintiff's counsel intends to apply to the court for award of fees and costs and such application may be opposed by the defendants. The transaction price of \$15.24 per share remains unchanged.

The actual settlement of the litigation is subject to the preparation and execution of definitive documentation and the Court's approval, after notice to the Class, of the action as a class action for settlement purposes and of the settlement following completion of reasonable discovery by the Plaintiff to confirm the fairness and reasonableness of the proposed settlement to the Class, all of which the parties intend to conclude within 90 days. The settlement is contingent upon consummation of the transaction.

We cannot provide any assurance that the actual outcome of this matter will not result in liability or otherwise affect the going private transaction. The Company is providing indemnification to its directors pursuant to its by-laws and various individual agreements with respect to any costs or liability claims related to this litigation.

Reasons for the Structure of the Transaction

The primary purpose of the transaction is to reduce the number of holders of our common stock below 300 to enable us to elect to terminate the registration of our common stock pursuant to Section 12(g) of the Exchange Act and become a private company. Our Board of Directors believes that a reverse stock split provides the most certainty for us in achieving this purpose at the least cost to us. Unlike all of the other types of going private transactions considered by our Board of Directors, the reverse stock split did not require us to rely on any third party, negotiate a merger agreement with a proponent group or face the possibility that shareholders would not respond to a tender offer. We will continue as a going concern and will focus on a long-term growth strategy, which our Board of Directors believes to be in our best interests at this time. We have also decided to effect a forward stock split following the reverse stock split. The forward stock split will reduce the total cost of the transaction because, without the forward stock split, we would be required to either pay cash to purchase fractional shares from shareholders who continue to own at least one whole share and a fraction of common stock following the reverse stock split or assume the administrative burden and cost of issuing and maintaining records for fractional shares or scrip.

Determination of the Split Ratio.

Our management proposed the ratio of 1-for-2,000 for the reverse stock split by calculating the lowest ratio denominator (i.e. the number of current shares being exchanged for a single share) that could be used to reduce our number of shareholders to sufficiently fewer than 300 such that it is unlikely that we will inadvertently become required to commence public reporting again. Our Board of Directors believes that in order to maximize the cost savings value of the transaction to us, the ratio denominator selected should be as low as possible, while still ensuring that after the transaction we would have fewer than 300 shareholders. Based on information presented by management to our Board of Directors regarding the current number of shareholders and the number of shares held by such shareholders, our Board of Directors determined that a ratio of 1-for-2000 is the lowest ratio that allows us to have a reasonable belief that the reverse stock split will result in us having fewer than 300 shareholders.

Alternatives Considered

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Prior to deciding to pursue this transaction, our management, our Board of Directors and our Special Committee considered a number of alternatives to the transaction. These alternatives were presented to and discussed by the Board of Directors. These alternatives are discussed below. However, for the reasons set forth below, management did not recommend any of these alternatives to the Board of Directors, and the Board of Directors ultimately concurred that these alternatives should not be pursued:

Maintaining the Status Quo. We considered whether maintaining the status quo would be a viable strategy. The costs associated with maintaining public company status (expected to be at least \$1,350,000 including \$850,000 of historical costs of being public and approximately \$500,000 of additional costs relating to compliance of the Sarbanes-Oxley Act) made it clear that maintaining the status quo was not desirable. We considered our size and resources and the relatively small and diminishing benefit that we

believe we and our shareholders have received as a result of our being a publicly-held company.

Selling The Company. We determined that the sale of the Company was not a viable strategy, given the controlling shareholders' opposition to any such sale transaction.

Other Going Private Transactions. We considered various forms of going private transactions in addition to the reverse split that would make us eligible to terminate the registration of our common stock under the Exchange Act and our listing on the New York Stock Exchange.

For example, we considered an issuer tender offer to repurchase some of our outstanding shares of common stock. Because the tender of shares would be at the option of the shareholders, there would have been no assurance that an adequate number of record shareholder positions would have been eliminated to reduce the number of shareholders below 300. Also, because of the requirement in a tender offer to treat all tendering shareholders ratably, we determined that many shareholders owning more than 2,000 shares could receive cash payments for part of their holdings, while no resulting reduction in the number of shareholders outstanding would be achieved. This would make the transaction much more expensive to us, if shares must be repurchased without having the effect of reducing the number of shareholders. Management also determined that the increased transactional costs of the tender offer process, combined with the uncertainty of achieving the transaction objectives, were significant disadvantages that made this alternative unattractive.

We also considered seeking an affiliate group (typically management or the largest shareholders of the Company) which would form a new entity (Newco), capitalized by contribution of the affiliate groups' shares in us and borrowings, which would then propose a tender offer to purchase shares in the Company not already contributed to Newco, typically followed by a merger of Newco into or with us to cash out untendered shares, if necessary to get below the 300 shareholder maximum. Some of the same risks and additional costs associated with our self-tender, described in the previous paragraph, were identified and we elected not to seek such an affiliate group proposal.

Management also considered establishing an affiliate group to form a Newco entity, capitalized by contribution of the affiliate groups' shares in the Company and borrowings, which would then propose a merger (which may have been a short form merger if the affiliate group represented 80% of more of our issued and outstanding shares) with us, with the merger consideration being a share for share exchange for those holding 2,000 shares or more, and cash for those holding less than 2,000 shares. This structure, while it would accomplish the task, was deemed to be unnecessarily complicated and we expected that the transactional costs of such a structure would significantly exceed those of a reverse stock split.

We also considered an odd-lot tender offer, whereby an offer to purchase share positions of fewer than 100 shares would be undertaken in an attempt to reduce the number of shareholders of record to fewer than 300. However, management's analysis of our shareholder base led it to conclude that such an odd-lot tender offer would not result in a reduction to less than 300 shareholders.

We also considered seeking a private equity fund or investor group to make a tender offer to shareholders who are not affiliates of the Company. However, after discussions with private equity investors, our controlling shareholders determined that they were not interested in pursuing such a transaction because of the burdensome terms and conditions that any investor was likely to require.

We also considered making a tender offer to all shareholders for up to 2000 shares. However, we determined that this offer could result in a substantial increase in the funding required and provided no assurance that the number of shareholders would be reduced to below 300.

Management presented these alternatives to the Board of Directors. Based on that presentation and the factors described in SPECIAL FACTORS Overview of the Company and the Transaction (Page 17), the Board of Directors determined that changing the Company's status from that of a public, reporting company to that of a private, non-reporting company is the appropriate strategy for us. Further, the Board of Directors concluded that the reverse split transaction is the most expeditious and economical alternative to accomplish that objective. While the Special Committee and the Board of Directors were aware that the choice of undertaking a reverse stock split with a cash out of fractional shares would not result in dissenters or appraisal rights, the Special Committee and Board of Directors did not consider the presence or lack of

dissenters or appraisal rights to be a material factor in the choice of structure. The form of the transaction was proposed by management so as to result in our going private without necessarily cashing out all shareholders, and without incurring substantial expense to the Company.

We have not sought, and have not received, any proposals from any persons for the merger or consolidation of the Company, or for the sale or other transfer of all or substantially all of our assets, or for the sale or other transfer of our securities that would enable the holder thereof to exercise control of us. The Board of Directors did not seek any such proposals because such transactions are inconsistent with the narrower purpose of the proposed split transaction and because the holders of a majority of the outstanding shares have stated that they would not likely vote in favor of such a proposal.

Effects of the Transaction

Generally

Our Board of Directors is soliciting shareholder approval for the reverse/forward stock split proposal. If approved by the shareholders and implemented by the Board of Directors, the transaction will become effective on such date as may be determined by the Board of Directors. The anticipated effective date of the transaction is August 16, 2006.

If the transaction is completed, the following will occur:

Shareholders who own fewer than the 2,000 shares of common stock of the Company before the Effective Time will receive a cash payment in the amount of \$15.24 per share in exchange for their shares of common stock and will no longer have any equity interest in the Company.

Shareholders who own 2,000 shares or more of common stock of the Company before the transaction (after giving effect to the reverse and forward splits) will receive or retain one share for every share they owned prior to the transaction.

We expect to have fewer than 300 record holders of common stock and, therefore, would be eligible to terminate registration of the common stock with the SEC, which would terminate our obligation to continue filing annual and periodic reports and make other filings under the federal securities laws that are applicable to public companies, and would terminate the obligation of our officers to certify the accuracy of our financial statements. We would then no longer be considered a public company.

Our common stock will no longer be listed on the New York Stock Exchange.

Upon shareholder approval, it is neither contemplated nor likely that the Board of Directors would choose to abandon the going private transaction. The Board of Directors has not identified any specific contingencies which might lead to the delay or abandonment of the transaction and any such decision would most likely occur only as a result of an extraordinary event outside of the ordinary course of business or the control of the Board of Directors or the Company or by reason of any inability to finance the costs of the fractional shares being repurchased if such number of fractional shares is substantially greater than presently contemplated. Based on our current, committed lines of credit and the communications company management has had with the company's banks, the Board of Directors does not anticipate any difficulties with

financing the going private transaction.

Effects On the Company

We will have fewer than 300 shareholders and will terminate the registration of our common stock and become a private company. We anticipate that following the transaction we will continue to operate as we have done prior to the transaction. The same officers and directors will continue in their roles as officers and directors, and we do not anticipate any significant corporate events in the near future. We anticipate that we will realize significant direct and indirect cost savings as a result of going private .

This transaction is estimated to result in the retirement of approximately 632,125 shares at a cost of \$15.24 per share. Including expenses for the transaction, the Company estimates that the total cost of the transaction to us, including fees and expenses for the various legal and financial advisers, will be approximately \$10,500,000. This estimate does not include the costs to defend litigation challenging the transaction as more fully described in SPECIAL FACTORS Purposes, Alternative, Reasons and Effects of the Transaction Disadvantages of Going Private (Page 26). Our shareholders equity and cash balance will be reduced accordingly.

Our common stock is currently traded on the New York Stock Exchange. We expect that after the transaction the common stock will be de-listed from the New York Stock Exchange. This de-listing, together with the reduction in public information concerning the Company as a result of its no longer being required to file reports under the Exchange Act, will further reduce the liquidity of our common stock. It is expected that any trading in our common stock after the transaction will only occur in the Pink Sheets or in privately negotiated sales. The Pink Sheets are maintained by Pink Sheets LLC and is a quotation service that collects and publishes market maker quotes for over-the-counter securities. The Pink Sheets is not a stock exchange or a regulated entity. Price quotations are provided by over-the-counter market makers and company information is provided by the over-the-counter companies.

Effects On the Cashed Out Shareholders

Shareholders holding fewer than 2,000 shares of common stock immediately prior to the Effective Time will cease to be shareholders of the Company. They will lose all rights associated with being a shareholder of the Company, such as the rights to attend and vote at shareholder meetings and receive dividends and distributions. These shareholders will receive the right to be paid \$15.24 in cash without interest for each share of common stock owned immediately prior to the reverse stock split. Such shareholders will be liable for any applicable taxes, but will not be required to pay brokerage fees or service charges. Promptly after the Effective Time we will send a transmittal letter explaining to such shareholders how they can surrender their share certificates in exchange for cash payment. The length of time between the Effective Time and the date on which shareholders will receive their cash will depend, in part, on the amount of time taken by each shareholder to return his or her stock certificates with a properly completed letter of transmittal. No cash payment will be made to any shareholder until he has surrendered his outstanding certificate(s), together with the letter of transmittal, in accordance with the terms of the letter of transmittal. Following the surrender of share certificates in accordance with the terms of the letter of transmittal, shareholders should receive their cash payment within approximately 7 business days. No interest will be paid on the cash payment at any time.

Shareholders holding fewer than 2,000 shares of common stock will have no further right to vote as a shareholder or to share in our assets, earnings or profits following the Effective Time, other than with respect to a transaction which triggers the contingent payment as more fully described under SPECIAL FACTORS Overview of the Company and the Transaction -- Shareholder Protections (Page 20). It will not be possible for cashed-out shareholders to re-acquire an equity interest in the Company unless they purchase an interest from a remaining shareholder following the transaction. The Board of Directors believes that these factors are mitigated by the ability of any shareholder who wishes to remain a shareholder to increase its holdings in the Company to at least 2,000 shares of common stock prior to the transaction by purchasing shares on the open market or otherwise acquiring additional shares of common stock prior to the effective date of the reverse stock split.

Effects On the Unaffiliated Remaining Shareholders

Shareholders holding 2,000 or more shares of common stock immediately prior to the Effective Time will continue to be shareholders of the Company, will receive no cash in the transaction and, following the forward stock split, will hold the same number of shares as they held prior to the reverse stock split. The percentage ownership by such unaffiliated remaining shareholders of the total outstanding shares after the split transaction will increase slightly because of the approximate 7.2% decrease in common stock outstanding on a pre-split basis.

Shareholders who continue to be shareholders of the Company after the transaction will experience reduced liquidity of their shares of common stock. Our common stock will no longer be traded on the New

York Stock Exchange and it is anticipated that information relating to the trading of our common stock will be published in the Pink Sheets, but there can be no assurance of any trading in, or market for, our common stock. Pursuant to Section 1755 of the Pennsylvania Business Corporation Law, we will continue to hold annual meetings of our shareholders.

Shareholders who continue to be shareholders of the Company after the transaction will not receive or have access to exactly the same level of financial and other business information about the Company as they would if the Company continued to make public disclosures pursuant to United States federal securities laws. Such shareholders will, however, have the right, upon written request to the Company, to receive consolidated annual financial statements of the Company, including a balance sheet, income statement, and statement of shareholders equity for the most recently completed fiscal year, all pursuant to Section 1544 of the Pennsylvania Business Corporation Law. We are committed to providing audited financial statements annually to our shareholders for no fewer than the five fiscal year-ends following the going private transaction, notwithstanding any lesser statutory requirement.

However, for at least five years following the Effective Time of the going private transaction, we will provide our shareholders with quarterly and annual audited financial reports, similar in content to, but not necessarily in as great detail or in the same format as, the reports required by the Exchange Act. See Special Factors Overview of the Company and the Transaction Shareholder Protections (Page 20).

Such shareholders will also have the right to inspect the books and records of the Company in accordance with Section 1508 of the Pennsylvania Business Corporation Law. Pursuant to Section 1508, a shareholder of a Pennsylvania corporation is entitled to inspect and copy, during regular business hours at the corporation's principal office, the following records, if the shareholder gives the corporation notice of the shareholder's verified demand to inspect or copy for:

- (1) The share register;
- (2) Books and records of accounts; and
- (3) Records of the proceedings of the incorporators, shareholders and directors.

The Board of Directors also believes that, following the transaction, the remaining shareholders will benefit from the savings in direct and indirect operating costs to the Company resulting from the Company no longer being required to maintain its public company status. At the same time, the fact that the Company will no longer be required to meet these requirements will not affect the products the Company provides to its customers. Therefore, the net gain to the Company will be enjoyed by the remaining shareholders. The Board of Directors believes that the cost savings the Company is expected to realize as a result of the transaction outweigh any loss of liquidity that the remaining shareholders will experience.

Effects On the Affiliated Remaining Shareholders

Affiliates of the Company, consisting of certain of the Company's largest shareholders, executive officers and directors, will participate in the transaction to the same extent as non-affiliates.

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Most of the affiliates of the Company currently own sufficient shares of common stock (over 2,000 each) so that they will continue to be shareholders after the transaction. As with all other remaining shareholders of the Company, the percentage ownership by the affiliates of the total outstanding shares after the transaction will increase slightly because of the approximate 7.2% decrease in common stock outstanding on a pre-split basis. However, as with the other remaining shareholders, the value of the continuing interests of the affiliates in the Company may be reduced by the cash payments made to effect the transaction and such affiliated remaining shareholders will also experience reduced liquidity of their shares of common stock.

Effects On 401(k) Participants

The trust under the Company's 401(k) Plan holds our common stock as an elective investment selection for plan participants. In the transaction the trust will receive one share for every 2,000 shares held at the Effective Time, and will receive \$15.24 per pre-reverse split share for any fractional shares remaining

after the forward split. As of June 6, 2006, there were approximately 11,800 shares of common stock in the 401(k) Plan.

Background of the Transaction

At its meeting on September 9, 2004, the Board of Directors first considered appointing a study group or committee for the purpose of analyzing various strategic alternatives with respect to the Company. Following this meeting, management was asked to consider various strategic alternatives which included the spin-off of the Company's then wholly-owned subsidiary, Omega Flex, Inc., as well as the possibility of the Company going private.

During the fall of 2004, we continued to analyze the costs of compliance with the Section 404 requirements of the Sarbanes-Oxley Act. We retained an outside consultant to assist in the implementation of the internal control documentation, testing and reporting system required by Section 404 of the Sarbanes-Oxley Act.

In October 2004, Mr. John E. Reed, our Chairman and Chief Executive Officer, asked management to consider contacting someone who had experience with going private transactions. Subsequently, J. Nicholas Filler, the Company's Senior Vice President - Corporate and Legal Affairs (the Company's Chief Legal Officer), and the Company's Associate General Counsel attended a conference on going private transactions and met with a number of nationally known consultants and attorneys who have been involved with multiple going private transactions over the past few years. Following the conference and discussions with the Company's outside securities counsel, Greenberg Traurig, LLP, management prepared a summary of going private transaction considerations which was delivered to Mr. Reed.

In November, 2004, following his review of Mr. Filler's summary of going private considerations and in connection with ongoing consideration of spinning off Omega Flex, Inc., Mr. Reed then asked independent directors Edward Trainor and Winston Hindle, Jr. to participate on behalf of the Board of Directors with respect to these strategic alternatives considerations.

The Company's next regular Board of Directors meeting was scheduled for December 14, 2004. Management recommended to Mr. Reed that, in light of the concerns as to whether it continued to be prudent to operate the Company as a public company that had arisen in connection with these analyses, discussion of the appointment of a Special Committee of the Board of Directors should be brought to the executive session of the Board of Directors. Mr. Reed, in his capacity as Chairman of the Board of Directors, decided to call for an executive session during and following the traditional pre-meeting dinner, on December 13, 2004, at which all of the Directors were present.

At the December 13, 2004 dinner meeting there was discussion of the ongoing and increasing costs associated with the Company's status as a public company, and the limited trading activity in the Company's common stock, in an effort to determine whether or not the issue of going private should be further considered by a Special Committee. From this, the matter evolved into discussion of whether or not the Company was benefiting from being a publicly traded company and whether or not Omega might benefit, going forward, from being publicly traded, if it were to be spun-off to the shareholders of the Company.

At the conclusion of the meeting, the Board of Directors concluded that further investigation by management and a Special Committee of the Board of Directors of a going private transaction had merit and asked management to continue to examine possible methods to carry out such a plan, while at the same time appointing a Special Committee of independent directors to receive management's analysis and conduct its own analysis, both with respect to the Company going private and Omega being spun-off, and in regards to Omega, whether it should be spun-off as

a public company or as a private company. The Special Committee membership was discussed by the Board of Directors and it was suggested that Mr. Trainor and Mr. Hindle, who had been participating in the considerations at Mr. Reed's request since early November 2004, and Mr. George King, also an independent director, constitute the Special Committee, with Mr. Trainor as Chair. By formal resolution, the Board of Directors established the Special Committee on December 13, 2004 and the Special Committee was given authority to consider a going private transaction and (1) receive expressions of interest regarding any transaction proposal on behalf of the Board of Directors, (2) review and evaluate the terms and conditions, and determine the advisability, of any transaction proposal,

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(3) negotiate, to the extent deemed necessary or appropriate, with any potential investor, acquirer or other participant in a transaction proposal with respect to any terms or conditions of the transaction proposal, (4) determine, if the Special Committee deems it necessary, whether the transaction proposal is fair to the Company's shareholders (other than the members of management or directors that are participating in the transaction proposal), (5) consider, and if the Special Committee deems appropriate, solicit proposals for alternative transactions, (6) recommend to the full Board of Directors a fair and equitable price per share, should the determination of such price be necessary in any transaction reviewed and recommended by the Special Committee, and (7) recommend to the full Board of Directors what action, if any, should be taken by the Company with respect to a transaction proposal. In addition, the Special Committee was given authority to hire independent legal counsel and independent financial advisers to assist it in these undertakings.

Promptly after its appointment, the Special Committee began the process of selecting independent legal counsel. The Special Committee considered several law firms, and in December 2004 it selected Foley Hoag LLP as the Special Committee's legal advisor.

The Special Committee also requested that Mr. Reed provide a proposal with regard to the going-private transaction to the Company. Mr. Reed asked senior management, namely, R. Bruce Dewey, the Company's President and Chief Operating Officer, Stephen M. Shea, the Company's Senior Vice President-Finance and Chief Financial Officer, and Mr. Filler, to provide a more detailed analysis to him of the various alternative structures and the probable costs of going private, in anticipation of his making a proposal on behalf of the Company to the Special Committee. Management then undertook to analyze the demographics of the share ownership of the Company and reviewed the challenges of reducing the number of record holders of the Company's common stock to sufficiently less than 300 to assure that the Company would not inadvertently become a reporting company after going private. It also discussed the costs of having its common stock registered with the SEC and the relatively thin and illiquid market for the Company's common stock. Management provided Mr. Reed with a briefing on these subjects. Mr. Filler also discussed the various alternative structures and estimated costs of going private with the Special Committee's independent counsel, Foley Hoag.

In late December 2004, data was presented by management to Mr. Reed with regard to redeeming a sufficient number of shares to reduce the number of record and beneficial holders of the Company's common stock to approximately 125 less than the minimum 300. Mr. Reed requested that management continue its research into the matter, analyzing alternative methods of going private and bringing all new information back to Mr. Reed so he could consider making a proposal to the Special Committee.

On January 19, 2005, Mr. Reed transmitted a proposal to the Special Committee for an Omega spin-off and a going private transaction for the Company, in that order, such that Omega would be spun-off pro rata to the Company's shareholders, thereby requiring registration of a class of its equity securities with the SEC and becoming a public company, independent of the Company, and thereafter, the Company would go private by way of a reverse stock split transaction at 1 share of common stock for 2,000 shares. Mr. Reed's proposal did not include a per share price for the shares he was proposing that the Company cash out in the reverse split. The Company issued a press release on January 19, 2005 with the terms of Mr. Reed's proposal.

The Special Committee had begun the process of retaining an independent financial advisor, and it wanted to complete that process before addressing Mr. Reed's proposal. The Special Committee interviewed several investment-banking firms and ultimately selected Houlihan Lokey as its financial advisor. On March 14, 2005, the Special Committee and the Company signed an engagement letter with Houlihan Lokey setting

forth Houlihan Lokey's compensation and other customary terms.

The Special Committee then had several meetings with Foley Hoag and Houlihan Lokey to discuss Mr. Reed's proposal. Houlihan Lokey began reviewing due diligence materials that it had requested from the Company, including historical and projected financial information for the Company and its divisions. Houlihan Lokey met with management of the Company as part of its due diligence process.

At a meeting in June 2005, Houlihan Lokey delivered to the Special Committee a preliminary valuation overview of the Company. Houlihan Lokey's preliminary analysis described ways in which the Company's two business segments (heating, ventilating and air conditioning (HVAC), excluding Omega,

and metal forming) could be valued using a market multiple methodology, a comparable transaction methodology and a discounted cash flow methodology.

At a meeting in July 2005, Houlihan Lokey delivered to the Special Committee a presentation that described alternatives to the reverse split proposal offered by Mr. Reed. Among the transaction alternatives described in Houlihan Lokey's presentation and discussed by the Special Committee were the following: a sale of all of the Company; a leveraged buyout of shares of the Company; a tender offer or self-tender; a merger with a newly-established entity, capitalized by Company stock held by affiliates of the Company and formed for the purpose of effecting the going private transaction; and a reverse stock split at a different ratio than proposed by Mr. Reed.

On July 29, 2005, Omega was spun-off from the Company and began trading as a separate public company.

On August 17, 2005, the Special Committee and Foley Hoag met with Mr. Reed and Mr. Filler in Westfield, Massachusetts to discuss Mr. Reed's proposal. At the meeting, Mr. Reed proposed that shareholders of the Company holding fewer than 2,000 shares of common stock be cashed out by means of a reverse stock split at a price of \$13.00 per share. Mr. Reed considered various factors in making the Company's initial proposal with respect to the price per share to be paid for the shares that would be purchased by the Company if the transaction were approved by the shareholders. These factors included the pre-announcement trading price of the Company (which preceded the spin-off of the Company's subsidiary, Omega Flex, Inc.), the recent trading price of the Company's stock following the announcement of the going private transaction and following the Omega Flex, Inc. spin-off, which price Mr. Reed believed reflected some premium since the transaction had been announced and since premiums over pre-announcement prices in going private transactions are typical. Mr. Reed considered that the then current trading range of approximately \$11.50 to \$12.25 per share (following the spin-off of Omega Flex, Inc.) reflected the marketplace recognition of some likely premium that would be paid in the going private pricing. He also considered the historic trading range of the Company's stock, however, this consideration was complicated by the fact that, historically, the stock had traded with the value of the Omega Flex franchise within the Company as a whole, while recent trading reflected the spin-off of Omega Flex into a separately-traded public company. Mr. Reed, on behalf of the Company, added approximately 10% more in premium pricing when presenting the Company's first formal offer to the Special Committee of \$13.00 per share.

The Special Committee told Mr. Reed that his proposal of \$13.00 per share was too low based on the preliminary valuation analysis done by Houlihan Lokey and the current trading price of the Company's stock. The Special Committee also discussed with Mr. Reed alternative structures to his proposed 1-for-2,000 reverse stock split, including a tender offer and the possibility of Mr. Reed seeking one or more private equity investors to purchase shares of the Company. The Special Committee asked Mr. Reed to consider various enhancements to his proposal, including agreeing that, after the Company went private, a majority of the Company's directors would be independent, the Company would supply periodic financial statements to its shareholders, and the Company would conduct a Dutch auction from time to time to repurchase its shares. The meeting ended without agreement on price or structure.

On September 12, 2005, the Special Committee and Foley Hoag met with the Company's other independent directors in Nantucket, Massachusetts to update the directors on the Special Committee's activities to date. The Special Committee informed the other directors of the enhancements to Mr. Reed's proposal that the Special Committee was seeking.

Discussions between the Special Committee and Mr. Reed continued during the fall of 2005. At the Special Committee's request, Mr. Reed agreed to meet with private equity firms that might be interested in investing in the Company. The Special Committee suggested that the added cash from such an investment might allow the Company to conduct a tender offer, thereby offering more shareholders the opportunity to cash out than possible under Mr. Reed's proposal. Houlihan Lokey contacted several potential private equity investors. Mr. Reed met with two of the potential investors, but neither was interested in investing in the Company on terms that Mr. Reed found attractive.

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The Special Committee continued to meet with its advisors during December 2005, January 2006 and February 2006 to discuss Mr. Reed's proposal. At a meeting in February 2006, Houlihan Lokey

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delivered to the Special Committee an updated preliminary valuation analysis of the Company for purposes of valuing cashed out shares under Mr. Reed's proposal. The Special Committee continued to discuss a number of protections for shareholders of the Company that it sought to add to Mr. Reed's proposal.

On March 2, 2006, the Special Committee met with Mr. Reed to negotiate his proposal. The Special Committee and Mr. Reed agreed in principle that shareholders of the Company holding fewer than 2,000 shares of common stock would be cashed out by means of a reverse stock split at a price of \$15.24 per share. The \$15.24 per share price represented a premium of approximately 17% over Mr. Reed's initial offer of \$13.00 per share and a premium of approximately 16% over the average trading price of the Company's common stock during the 30 trading days prior to March 2, 2006. The \$15.24 per share price was a negotiated price agreed to by the Special Committee and Mr. Reed. In agreeing to the price, the Special Committee relied principally on the advice and analysis of Houlihan Lokey. Among the factors that Mr. Reed considered in agreeing to the \$15.24 price were the Company's historical trading prices, the Company's historical and projected financial performance, and the Company's cash position and liquidity, including the Company's ability to finance a portion of the purchase price for the fractional shares to be cashed out in the reverse split. The Special Committee and Mr. Reed also agreed in principle that the Company would offer shareholders of the Company the following protections:

shareholders cashed out in the reverse split would have a contingent payment right should the Company agree to a liquidity event within one year of the transaction at a price higher than \$15.24 per share;

the Company would use reasonable efforts to have its stock quoted on the Pink Sheets publication service;

the Company would conduct a Dutch auction once a year for five years to purchase up to \$2,500,000 of its common stock each year;

a majority of the Company's Board of Directors would consist of independent directors and the Company would maintain an Audit Committee and Compensation Committee consisting entirely of independent directors;

the Company would supply its shareholders with quarterly and annual audited financial reports;

management of the Company would entertain questions from shareholders and answer the questions fully and frankly;

the Company would disclose to its independent directors and shareholders information about related party transactions and management compensation; and

the Company would establish a whistleblower hotline.

On March 17, 2006, the Special Committee met with Foley Hoag to discuss the March 2 meeting with Mr. Reed. It was agreed that Foley Hoag would prepare a non-binding term sheet describing the principal features of the proposal discussed by the Special Committee and Mr. Reed at the March 2 meeting. The Special Committee also reviewed with Foley Hoag a draft fairness opinion that Houlihan Lokey had prepared.

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On March 28, 2006, Foley Hoag sent to Mr. Reed a non-binding term sheet setting forth the principal features of the going private proposal. Over the next two days, the Special Committee and Mr. Reed negotiated changes to the term sheet. By noon on March 29, 2006, the Special Committee and Mr. Reed had agreed on a non-binding term sheet for a going private proposal.

On March 29, 2006, the Board of Directors of the Company held a special meeting in Springfield, Massachusetts to consider the going private proposal. Mr. Reed reviewed with the Board of Directors the advantages and disadvantages of deregistering the Company's common stock. Mr. Reed stressed that a going private transaction must complement the Company's long-term strategic focus.

Mr. Reed noted that the disadvantages of going private were (a) the Company would no longer have access to the capital markets as a means to raise additional capital (which it had not used during its over 20 year history as a public company), (b) the Company's stock would no longer be traded in the open market on the New York Stock Exchange, resulting in reduced liquidity of the shares (though it had always had a low daily trading volume and therefore, limited liquidity for large blocks of stock), (c) the potential criticism from shareholders who are forced to receive cash for their shares as a result of the transaction, and (d) the potential criticism from shareholders who are forced to remain as shareholders without an active market for their shares. On the other hand, the Company would benefit by offering an increased value to the remaining shareholders by using the Company's credit capacity to reduce outstanding shares, thereby improving return on equity and earnings per share while offering the potential for dividends as a result of fewer outstanding shares. Moreover, as a private company, the Company would be relieved of some of the administrative burdens and costs associated with operating as a public company. Furthermore, Mr. Reed noted that the Company appeared to be an ideal candidate for going private for several reasons, including the low trading volume of the stock, the lack of analyst coverage, the large number of small shareholders, the high concentration of stock in the hands of a few shareholders, and the consistent undervaluation of the Company's stock when compared to peer companies.

At the meeting, the Special Committee described the going private proposal. The Special Committee then explained in detail to the full Board of Directors the analysis it had undertaken and the negotiations with Mr. Reed that preceded its request for the Special Meeting and its recommendation to the Board of Directors. The Board of Directors had an opportunity to ask questions and discuss the proposal. The Special Committee then made its recommendation that the Board of Directors approve the transaction as described herein.

At the March 29, 2006 meeting the full Board of Directors voted, seven in favor and one abstaining, to approve in principle the going private proposal presented at the meeting, subject to approval by the Board of Directors of definitive documentation and proposed amendments to the Company's Restated Articles of Incorporation and By-laws. The Board of Directors' determination to approve the going private transaction was based, among other things, on:

the cost of complying with SEC and Sarbanes-Oxley Act regulations;

the Company's small public float and market capitalization;

the Company's low trading volume;

the Board of Directors' concern that there was little likelihood that the liquidity of the Company's common stock will improve in the future;

the fact that the Company had no plans to use the public markets to raise capital;

the lack of research attention from market analysts being given to the Company;

the performance of the Company's stock price which, in management's opinion, was undervalued; and

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the expectation that the use of the Company's credit capacity to repurchase shares of its common stock will increase the Company's earnings per share in the future.

The Board of Directors selected 2,000 shares as the ownership minimum because it represented a logical breakpoint among shareholders so that, after completion of the going private transaction, the number of record shareholders would be less than the 300 shareholder limit necessary to terminate registration with the SEC, while at the same time involving a relatively small number of shares (estimated at that time to be approximately 632,125, or 7.2% of the Company's outstanding shares) that would be cashed-out in the proposed going private transaction.

In connection with its deliberations, the Board of Directors did not consider, and the Special Committee did not request that Houlihan Lokey evaluate, the Company's liquidation value. The Board of Directors did not view the Company's liquidation value to be a relevant measure of valuation given that the consideration in the transaction significantly exceeded the book value per share of the Company, and it was the Board of Directors' view that the Company is more valuable as a going concern than its net book value per share of \$12.01 as of December 31, 2005. However, book value per share is a historical accounting number, and an evaluation of liquidation value could produce a higher valuation than book value per share.

On March 31, 2006, the Company issued a press release announcing that it was proceeding with a going private transaction on the terms described above, subject to approval by the Company's Board of Directors of definitive documentation and proposed amendments to the Company's Restated Articles of Incorporation and By-laws and approval by its shareholders of amendments to the Company's Restated Articles of Incorporation.

On May 2, 2006, the Board of Directors met telephonically, having been sent a draft Fairness Opinion and a draft Presentation to Special Committee Regarding Fairness Analysis from Houlihan Lokey, a draft set of amendments to the Company's Restated Articles of Incorporation and By-laws and a draft Proxy Statement. The Board of Directors conducted a discussion with representatives of Houlihan Lokey of the valuation methodology and the Fairness Opinion. The Board of Directors then discussed the going private transaction as then currently proposed by management and the Special Committee, being the same as discussed on March 29, 2006 but for the inclusion of a provision requiring the approval of the going private transaction by a majority of the minority or unaffiliated shares voted by such shareholders at the Annual Meeting as well as a majority of the affiliated shares so voting. The Board of Directors once again considered the advantages and disadvantages of proceeding with the transaction.

Houlihan Lokey then delivered its oral opinion to the Board of Directors, subsequently confirmed in writing, to the effect that the consideration to be paid in the going private transaction is fair, from a financial point of view, to the Company's shareholders (other than the Reeds), including shareholders who will receive cash in the going private transaction, as well as those who will remain shareholders after the going private transaction.

By unanimous vote, the going private transaction, now documented in proposed definitive form, was approved.

Fairness of the Transaction

In order to both consider various alternatives to the transaction (including the alternative of doing nothing) and to assure the fairness both in process and transactional amount to the Company and its various constituents, a Special Committee of the Board of Directors was appointed at an executive session of a regular meeting of the Board of Directors on December 13, 2004. Each member of the Special Committee is an independent director as provided in the relevant regulatory requirements, and the Chairman of the Special Committee, Mr. Edward Trainor, also personally holds fewer than 2,000 shares of the Company's common stock, and thus will be cashed out as a result of the transaction. The members of the Special Committee are not receiving any additional compensation from the Company for serving on the Special Committee other than meeting fees similar to those of other committees. In reviewing the proposal put forth by Mr. Reed on behalf of the Company to take the Company private, the Special Committee has recommended, and the Board of Directors has determined, that the transaction is fair to the unaffiliated shareholders who will be cashed out in the transaction, and to those unaffiliated shareholders who will remain shareholders after the transaction. The Board of Directors unanimously recommends that shareholders vote FOR the reverse/forward split combinations in order to effect the transaction.

Procedural Fairness

The determination of the Special Committee and the Board of Directors that the transaction is fair to the shareholders is based on a number of procedural and substantive factors, including the following:

Procedural Factors:

The Special Committee was established consisting entirely of independent directors, with power to recommend for or against the transaction;

The Special Committee's membership consists of a director who owns shares and who will be cashed out in the transaction and directors who own shares and who will remain shareholders after the transaction.

The Special Committee retained its own independent financial adviser and legal counsel.

The Company retained its outside legal counsel as well as utilizing the services of in-house counsel.

The Special Committee negotiated with Mr. Reed, and thoroughly deliberated and evaluated the reverse/forward stock split, with the result that the payment to the Company's cashed-out holders was increased from \$13.00 per pre-split share, initially proposed by management, to \$15.24 per pre-split share.

The Special Committee considered a range of alternatives to the going private transaction, including a tender offer, a self-tender, a merger, a sale of the Company or doing nothing.

The shareholders will have an opportunity to make changes to their ownership by purchasing or selling shares or by other actions before the Effective Time of the transaction so that they can increase, decrease, divide or otherwise adjust their existing holdings prior to the Effective Time, in order to retain some, none or all of their shares or to receive cash for some or all of their shares or to sell on the open market if such price would be higher than that offered in the transaction.

The terms of the transaction, including the cash payment to holders of fewer than 2,000 shares of common stock (post-reverse split) in the amount of \$15.24 per share, resulted from arms-length negotiations between Mr. Reed and the Special Committee.

Based on the Special Committee's determination that the transaction is fair to the unaffiliated shareholders who will be cashed out in the transaction and to the unaffiliated shareholders who will remain after the transaction, the Special Committee recommended the transaction.

The Board of Directors, six out of eight of whom are independent directors in accordance with the corporate governance standards of the listing standards of the New York Stock Exchange, unanimously decided to approve the transaction. See SPECIAL FACTORS Alternatives Considered (Page 29) and SPECIAL FACTORS - Recommendation of the Board of Directors, Mr. John E. Reed and Mr. Stewart B. Reed (Page 53).

The transaction has been structured as requiring majority approval of the votes cast by proxy or in person at a meeting of the shareholders of the Company by the unaffiliated shareholders of the Company.

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The transaction will be effected in accordance with all applicable requirements under Pennsylvania law.

No unaffiliated representative was retained to act solely on behalf of the shareholders being cashed out or the shareholders who will remain shareholders after the transaction. The Board of Directors did not believe that the lack of such an unaffiliated shareholder representative affected the fairness of the transaction for several reasons. First, the Board of Directors determined that each member of the Special Committee as

well as six out of eight members of the Board of Directors was disinterested in the transaction, and the Special Committee consisted of both a director holding fewer than 2,000 shares and directors holding 2,000 or more shares. Second, the Special Committee of the Board of Directors retained Houlihan Lokey, an independent financial advisor, unaffiliated with the Company, to render a fairness opinion with respect to the transaction.

The Company has not made any provision in connection with the transaction to grant unaffiliated shareholders access to the Company's corporate files or to obtain counsel or appraisal services at the Company's expense. With respect to unaffiliated shareholders' access to the Company's corporate files, the Board of Directors determined that this Proxy Statement, together with the Company's other filings with the SEC, provide adequate information for unaffiliated shareholders to make an informed decision with respect to the transaction. The Board of Directors also considered the fact that under Pennsylvania corporate law, and subject to certain conditions set forth under Pennsylvania law, shareholders have the right to review the Company's relevant books and records of account. The Board of Directors did not consider these steps necessary to ensure the fairness of the transaction proposal. The Board of Directors determined that such steps would be costly and would not provide any meaningful additional benefits. The Board of Directors noted the fact that the financial advisor engaged by the Special Committee considered and rendered its opinion as to the fairness of the consideration payable in the going private transaction, from a financial point of view, to the Company's shareholders (other than the Reeds), including shareholders who will receive cash and those who will retain their shares after the transaction.

Substantive Fairness

The Directors, John E. Reed and Stewart B. Reed believe that the transaction is substantively fair to all of the shareholders of the Company for the following reasons:

The Special Committee's financial adviser, Houlihan Lokey, has rendered its opinion that the consideration to be paid in the going private transaction is fair, from a financial point of view, to the Company's shareholders (other than the Reeds), including shareholders who will receive cash in the going private transaction, as well as those who will remain shareholders after the going private transaction.

See Opinion of Houlihan Lokey (Page 42) and Appendix C Opinion of Independent Financial Advisors, Houlihan Lokey, dated May 2, 2006.

Based on the recommendation by the Special Committee, the fairness opinion of Houlihan Lokey, the fact that the \$15.24 per share price is above the range of each of the three valuation methods used by Houlihan Lokey as well as the overall valuation, that the \$15.24 per share price is at the high end of the trading range of the common stock, adjusted for the spin-off of Omega, over the past five years, that no commissions will be paid by those receiving cash, the expected cost savings from no longer being a public company, and the other factors considered by the Board of Directors, the Board of Directors, John E. Reed and Stewart B. Reed concurred with the Special Committee that the transaction is fair to unaffiliated shareholders who will be cashed out in the transaction and to those unaffiliated shareholders who will remain shareholders after the transaction.

The Special Committee, the Board of Directors, John E. Reed and Stewart B. Reed did not consider, nor was there any effort made to calculate, net book value per share, liquidation values per share or going concern value per share because those measures were not believed by them to be meaningful or relevant for evaluating the fairness of the reverse stock split. Net book value was not considered relevant because it is an accounting measure better equipped to reflect historical costs rather than to evaluate current value. Liquidation value was not considered relevant since, under the circumstances, a liquidation of our assets and distribution to our shareholders of the proceeds from the sale of those assets was not a viable alternative to the reverse stock split itself. "Going concern value" refers to the value of an operating business that would be greater than the sum of its assets were they sold separately because it includes intangibles such as goodwill, operating efficiencies, management and

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employee quality. The Special Committee did not believe it appropriate to consider any incremental value for the Company as a going concern since the Board had determined that the Company should remain as an independent company. The Special Committee did not consider purchase prices paid in previous purchases of subject securities because those values included the

value of the Omega Flex franchise within the Company as a whole and were therefore considered irrelevant for purposes of evaluating the fairness of the reverse stock split. Moreover, the Special Committee did not have the benefit of any firm offers made for the Company during the past two years to consider as part of its deliberations.

Our By-laws will be amended as of the Effective Time to provide protections for our shareholders cashed out as a result of the transaction and for our shareholders who remain after the transaction. In summary, the protections are as follows:

During the five years immediately following the transaction, we will use commercially reasonable efforts to cause our common stock to be quoted on the Pink Sheets.

Should we enter into an agreement for, or complete, a transaction involving the sale of all or a substantial portion of our shares or assets during the one year immediately following the transaction, resulting in a per share valuation greater than that paid to the cashed out shareholders, we will pay the cashed out shareholders upon consummation of such a transaction a contingent payment equal to the amount of such difference.

During the one year immediately following the transaction, we will not declare or pay any dividends on our common stock without first paying an equivalent per share dividend to cashed out shareholders.

In each of the five calendar years immediately following the transaction, we will hold one Dutch auction for our common stock, in which, subject to our compliance with reasonable constraints imposed by bank covenants and financial ratios, we will offer to purchase up to \$2,500,000 of our common stock in each auction.

During the five years immediately following the transaction:

- o A majority of our Board of Directors will consist of independent directors, as defined by the New York Stock Exchange. Our Audit and Compensation Committees will consist entirely of independent directors.
- o We will provide each of our shareholders quarterly and annual audited financial reports, similar in general content to, but not necessarily in as great detail or in the same format as, the reports required by the Securities Exchange Act of 1934, as amended.
- o Our management will entertain questions asked by our shareholders and will endeavor to answer the questions fully and frankly.
- o We will not enter into any transaction with any of our directors, executive officers or ten percent stockholders, or any of their immediate family members, without first obtaining prior approval of our Audit Committee. Our Compensation Committee will recommend to our Board of Directors the compensation for each member of our senior management.
- o We will provide a telephone and email hotline to facilitate confidential reporting of improper activity by shareholders, employees, suppliers and others to our Audit Committee or other designated governing body.

Opinion of Houlihan Lokey

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In connection with the proposed transaction, the Special Committee engaged Houlihan Lokey to render an opinion as to the fairness, from a financial point of view, of the consideration to be paid in the

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going private transaction. On May 2, 2006, at a meeting of our Board of Directors, Houlihan Lokey delivered its opinion that, as of May 2, 2006, the consideration to be paid in the proposed going private transaction is fair, from a financial point of view, to the Company's shareholders (other than the Reeds), including shareholders who will receive cash in the proposed going private transaction, as well as those who will remain shareholders after the proposed going private transaction. Subsequently, Houlihan Lokey delivered its written fairness opinion.

The opinion of Houlihan Lokey is included with this proxy statement as Annex C. The report of Houlihan Lokey will be made available for inspection and copying during ordinary business hours at our executive offices by any interested stockholder of the Company or any representative of the shareholder designated by the shareholder in writing. Upon written request, the Company will furnish a copy of the report to any interested stockholder of the Company, or any representative designated by the shareholder in writing, at the expense of the requesting shareholder. The report has also been filed with the SEC as an exhibit to the Company's Transaction Statement on Schedule 13E-3. Houlihan Lokey consented to the filing of its report with the Schedule 13E-3.

The preparation of Houlihan Lokey's opinion was a complex process and is not necessarily susceptible to partial analysis or summary description. Nevertheless, the following is a brief summary of Houlihan Lokey's written opinion addressed to the Special Committee, dated May 2, 2006, and subject to the assumptions, qualifications and limitations set forth in its opinion, that the consideration to be paid in the proposed going private transaction is fair, from a financial point of view, to the Company's shareholders (other than the Reeds), including shareholders who will receive cash in the proposed going private transaction, as well as those who will remain shareholders after the proposed going private transaction.

The full text of Houlihan Lokey's written opinion is attached to this proxy statement as Annex C, and the summary of the opinion set forth below is qualified in its entirety by reference to such opinion. Company shareholders are urged to, and should, read the Houlihan Lokey opinion carefully in its entirety for a complete statement of the considerations and procedures followed, factors considered, findings, assumptions and qualifications made, the bases for and methods of arriving at such findings, limitations on the review undertaken in connection with the opinion, and judgments made or conclusions undertaken by Houlihan Lokey in reaching its opinion. The opinion was furnished for the use and benefit of the Special Committee in connection with its consideration of the proposed going private transaction. Houlihan Lokey's opinion was not intended to be, and does not constitute, a recommendation to any security holder as to how such security holder should vote with respect to the proposed going private transaction. Houlihan Lokey believes, and so advised the Special Committee, that its analyses must be considered as a whole and that selecting portions of its analyses and of the factors considered by it, without considering all factors and analyses, could create an incomplete view of the process underlying its analyses and opinions.

Houlihan Lokey's opinion addresses only the fairness, from a financial point of view, of the consideration to be paid to in the going private transaction to the Company's shareholders (other than the Reeds), including shareholders who will receive cash in the transaction, as well as those who will remain shareholders after the proposed going private transaction. Houlihan Lokey was not requested to opine as to, and its opinion does not address:

the underlying business decision of the Special Committee of the Company, the Company or its security holders or any other party to proceed with or effect the proposed going private transaction;

the fairness of any portion or aspect of the proposed going private transaction not expressly addressed in its opinion;

the fairness of any portion or aspect of the proposed going private transaction to the holders of any class of securities, creditors or other constituencies of the Company, or any other party other than those set forth in its opinion;

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the relative merits of the proposed going private transaction as compared to any alternative business strategies that might exist for the Company or the effect of any other transaction in which the Company might engage;

the tax or legal consequences of the proposed going private transaction to either the Company, its security holders, or any other party;

the fairness of any portion or aspect of the proposed going private transaction to any class or group of the Company's or any other party's security holders compared to any other class or group of the Company's or such other party's security holders; or

the financing of the proposed going private transaction.

Furthermore, no opinion, counsel or interpretation was intended with respect to matters that require legal, regulatory, accounting, insurance, tax or other similar professional advice.

In connection with its opinion, Houlihan Lokey made such reviews, analyses and inquiries as it deemed necessary and appropriate under the circumstances. Among other things, Houlihan Lokey has:

1. reviewed the Company's annual report to shareholders on Form 10-K for the fiscal year ended December 31, 2005, 2004 and 2003;
2. reviewed the Company's internal budget for the fiscal years ending December 31, 2006 and 2007, and the estimates of sales, gross profit and operating profit for the fiscal years ending December 31, 2008 and 2009;
3. reviewed the Company's Information Statement on Form 10 dated April 29, 2005 regarding the spin-off of the Company's former subsidiary, Omega Flex, Inc.;
4. spoke with certain members of the management of the Company regarding the operations, financial condition, future prospects and projected operations and performance of the Company (including, the projections referred to in item 2 above) and regarding the proposed going private transaction;
5. visited the offices of the Company;
6. reviewed the Company's ownership profile, before and pro forma for the reverse stock split;
7. reviewed the historical market prices and trading volume for the Company's common stock, before and after the spin-off of the Company's former subsidiary, Omega Flex, Inc.;
8. met with the CEO of The Pink Sheets to discuss market liquidity and trading performance of companies that have deregistered and now trade in that market;
9. reviewed other publicly available financial data for the Company and certain companies that it deemed comparable to the Company;

10. reviewed other publicly available financial data for reverse stock split transactions;
11. reviewed drafts of the proposed amendments to the Company's (i) Restated Articles of Incorporation providing for the reverse stock split and (ii) By-laws providing for certain shareholder protections;
12. reviewed a draft of this Proxy Statement with respect to the reverse stock split; and
13. conducted such other studies, analyses and inquiries as it deemed appropriate.

In rendering its opinion, Houlihan Lokey relied upon and assumed, without independent verification, the accuracy and completeness of all data, material and other information (including the financial forecasts and projections) furnished, or otherwise made available, to it, discussed with or reviewed by it, or publicly available, and did not assume any responsibility with respect to such data, material and other information. In addition, Houlihan Lokey relied upon and assumed, without independent verification, that the financial

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forecasts and projections had been reasonably prepared on bases reflecting the best currently available estimates and judgments of the future financial results and condition of the Company, and Houlihan Lokey expressed no opinion with respect to such forecasts and projections or the assumptions on which they were based. Houlihan Lokey relied upon and assumed, without independent verification, that there had been no material change in the assets, liabilities, financial condition, results of operations, business or prospects of the Company since the date of the most recent financial statements provided to it, and that there was no information or facts that would make the information reviewed by Houlihan Lokey incomplete or misleading. Houlihan Lokey has also assumed that the Company is not party to any material pending transaction, including any external financing, recapitalization, acquisition or merger, divestiture or spin-off (other than the proposed going private transaction).

Houlihan Lokey relied upon and assumed, without independent verification, that:

all conditions to the consummation of the proposed going private transaction would be satisfied without waiver thereof; and

the proposed going private transaction would be consummated in a timely manner in accordance with the terms described in the proposed amendments to the Company's Restated Articles of Incorporation and By-laws provided to Houlihan Lokey, without any amendments or modifications thereto, or any adjustment to the aggregate consideration (through offset, reduction, indemnity claims, post-closing purchase price adjustments or otherwise).

Houlihan Lokey also relied upon and assumed, without independent verification, that:

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all governmental, regulatory, and other consents and approvals necessary for the consummation of the proposed going private transaction would be obtained and that no delay, limitations, restrictions or conditions would be imposed that would result in the disposition of any material portion of the assets of the Company, or otherwise have an adverse effect on the Company, or the expected benefits of the proposed going private transaction, the final forms of the draft Restated Articles of Incorporation and By-law amendments identified in item 11 above would not differ in any material respect from the drafts identified in item 11 above.

Houlihan Lokey was not requested to make, and did not make, any physical inspection or independent appraisal or evaluation of any of the assets, properties or liabilities (contingent or otherwise) of the Company, nor was Houlihan Lokey provided with any such appraisal or evaluation. Houlihan Lokey has not expressed an opinion regarding the liquidation value of any entity. Houlihan Lokey has not undertaken any independent analysis of any potential or actual litigation, regulatory action, possible unasserted claims or other contingent liabilities, to which the Company is a party or may be subject, or of any government investigation of any possible unasserted claims or other contingent liabilities to which the Company is a party or may be subject. Houlihan Lokey's opinion makes no assumption concerning, and therefore does not consider, the potential effects of any such litigation, claims or investigations or possible assertions of claims, outcomes or damages arising out of any such matters.

Houlihan Lokey's opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to it as of, the date of its opinion. Houlihan Lokey did not undertake, and is under no obligation, to update, revise, reaffirm or withdraw its opinion, or otherwise comment on or consider events occurring after the date of its opinion. Houlihan Lokey did not consider, and expressed no opinion with respect to, the prices at which the Company's stock may trade subsequent to the disclosure or consummation of the proposed going private transaction. Houlihan Lokey's opinion assumed that after the reverse split, the Company's stock will be listed in the Pink Sheets.

Summary of Financial Analyses Performed by Houlihan Lokey

In arriving at its opinion, in addition to reviewing the matters listed above, Houlihan Lokey used the following approaches to evaluate the fairness, from a financial point of view, of the consideration to be paid in the proposed going private transaction:

- a market multiple approach;
- a merger and acquisition transaction multiple approach; and

a discounted cash flow analysis.

analysis of recent going private transactions.

Houlihan Lokey calculated the Company's implied enterprise value from operations, which is defined as equity value plus book value of debt plus other liabilities minus cash and equivalents, to be in a range of approximately \$167.2 million to \$191.5 million and total enterprise value, which is defined as enterprise value from operations plus cash plus non-operating assets less non-operating liabilities to be in a range of approximately \$151.6 million to \$176.0 million. Based on 8,732,125 shares of Common Stock outstanding and adjusting for outstanding debt and minority interests Houlihan Lokey calculated the Company's implied per share equity value to be in a range of approximately \$13.43 to \$16.22.

Market Multiple Approach. This analysis provides an indication of value expressed as a multiple of operating and financial metrics (such as earnings before interest, taxes, depreciation and amortization, or EBITDA) of comparable companies. Using publicly available information and information provided by the Company, Houlihan Lokey analyzed, among other things, the market multiples of the Company and the corresponding market multiples of selected publicly traded companies, as identified in the tables below, that Houlihan Lokey considered to be reasonably comparable to the Company's two operating segments.

Selected HVAC Companies

Aaon Inc.
 Lennox International, Inc.
 American Standard Companies, Inc.
 United Technologies Corp.

Selected Metal Forming Equipment Companies

Hardinge Inc.
 Kennametal Inc.
 Feintool International Holding AG
 VoestAlpine AG

In its analysis, Houlihan Lokey derived and compared multiples for the Company (based on trading prices of the Company's common stock prior to the announcement on March 31, 2006 that the Company was proceeding with a going private transaction, subject to approval by the Company's Board of Directors of definitive documentation and proposed amendments to the Company's Restated Articles of Incorporation and By-laws and approval by its shareholders of an amendment to the Company's Restated Articles of Incorporation), and a range of multiples for the selected companies, calculated as follows:

Enterprise value, divided by EBITDA for the latest 12 months, and for the next two fiscal years.

Results of Houlihan Lokey's market multiple approach are summarized as follows:

	<u>ENTERPRISE VALUE / EBITDA</u>		
	<u>Last 12 Months</u>	<u>Next Fiscal Year</u>	<u>Next Fiscal Year + 1</u>
Selected Public HVAC Companies:			
Low	7.4x	7.7x	7.8x
High	11.5x	9.6x	8.9x
Median	9.5x	8.5x	8.4x
Mean	9.5x	8.6x	8.4x

Selected Public Metal Forming Equipment Companies:

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Low	5.0x	5.3x	5.3x
High	9.1x	9.0x	8.3x
Median	7.9x	8.7x	7.9x
Mean	7.5x	7.7x	7.1x

	Mestek (HVAC)	Selected Multiple Range		Indicated Enterprise	
	Representative			Value Range ⁽¹⁾	
	<u>Level ⁽¹⁾</u>	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>
2005:					
EBITDA	\$20,659	7.0x	7.5x	\$144,611	\$154,940
Next Fiscal Year ⁽²⁾ :					
EBITDA	\$24,190	6.5x	7.0x	\$157,234	\$169,329

Next Fiscal Year + 1 ⁽²⁾ :					
EBITDA	\$25,819	6.0x	6.5x	\$154,912	\$167,821
Median				\$154,912	\$167,821
Mean				\$152,252	\$164,030
Selected Enterprise Value Range				\$153,600	\$165,900

⁽¹⁾ Figures in thousands.

⁽²⁾ Based on an average of various equity analyst estimates.

	Mestek (Formtek)	Selected Multiple Range		Indicated Enterprise Value Range ⁽¹⁾	
	Representative <u>Level</u> ⁽¹⁾	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>
2005:					
EBITDA	(\$716)	NMF ⁽³⁾	NMF ⁽³⁾	NMF ⁽³⁾	NMF ⁽³⁾
Next Fiscal Year ⁽²⁾ :					
EBITDA	\$4,504	5.5x	6.0x	\$24,772	\$27,024
Next Fiscal Year + 1 ⁽²⁾ :					
EBITDA	\$6,478	5.0x	5.5x	\$32,390	\$35,629
Median				\$28,581	\$31,327
Mean				\$28,581	\$31,327
Selected Enterprise Value Range				\$28,600	\$31,300

⁽¹⁾ Figures in thousands.

⁽²⁾ Based on an average of various equity analyst estimates.

⁽³⁾ Not Meaningful Figure

Houlihan Lokey analyzed the enterprise value/EBITDA multiples calculated for the selected comparable companies and based on these results and various qualitative and quantitative operating and financial characteristics of the comparable companies, Houlihan Lokey estimated multiple ranges. The selected enterprise value ranges are an average of the mean and median directly above (rounded to the nearest 100,000). The table has been footnoted to so indicate.

Merger and Acquisition Transaction Approach. Houlihan Lokey reviewed merger and acquisition transactions that it deemed comparable to the proposed going private transaction. It selected these transactions by searching SEC filings, analyst reports and databases. These comparable transactions are set forth in the tables below:

Comparable HVAC Transactions

<u>Target</u>	<u>Acquiror</u>	<u>Date Announced</u>
Airxcel Inc.	Bruckmann, Rosser, Sherrill & Co.	08/01/05
York International Corp.	Johnson Controls, Inc.	08/24/05
Melcor Corporation (a/k/a Fedders)	The Laird Group, PLC	10/25/05
Goodman Global Holdings	Apollo Management	11/19/04
Nortek Holdings, Inc.	Thomas Lee and management	07/15/04
Baxi Group Ltd.	BC Partners Ltd.	01/28/04
Buderus AG	Robert Bosch	04/07/03
Nortek, Inc.	Kelso & Co.	04/13/02

Houlihan Lokey did not find any transactions involving companies that it deemed to be comparable to the Company's Formtek division.

Houlihan Lokey calculated for each of the selected HVAC transactions the ratio of the transaction value to last 12 months EBITDA. Results of Houlihan Lokey's merger and acquisition transaction approach are summarized as follows:

<u>Comparable HVAC Transactions:</u>	<u>ENTERPRISE VALUE / EBITDA LAST 12 MONTHS</u>
Low	6.5x
High	11.5x
Median	9.5x
Mean	9.4x

	<u>Mestek (HVAC) Representative Level ⁽¹⁾</u>	<u>Selected Multiple Range</u>		<u>Indicated Enterprise Value Range ⁽¹⁾</u>	
		<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>
2005: EBITDA	\$20,659	7.5x	8.0x	\$154,900	\$165,300
Selected Enterprise Value Range				\$154,900	\$165,300

⁽¹⁾ Figures in thousands.

Discounted Cash Flow Analysis. Houlihan Lokey performed a discounted cash flow analysis for each of the Company's segments in which it calculated the present value of the projected future cash flows of such segment using the Company management's projections. Houlihan Lokey estimated a range of enterprise values for each of the Company's segments based on the net present value of such segments implied annual cash flows and a terminal value for each segment in 2009 calculated based upon a multiple of EBITDA. For the HVAC segment, Houlihan Lokey applied a range of discount rates of 10.0% to 12.0% and a range of terminal value multiples of 5.5x to 7.5x of projected 2009 EBITDA. Based on certain ranges within this analysis, the selected enterprise values for the HVAC segment were in a range of \$130,300 to \$151,400. For the Formtek segment, Houlihan Lokey applied a range of discount rates of 12.0% to 14.0% and a range of terminal multiples of 4.0x to 6.0x of projected 2009 EBITDA. Based on certain ranges within this analysis, the selected enterprise values for the Formtek segment were in a range of \$25,700 to \$31,700.

Houlihan Lokey analyzed the weighted-average cost of capital (WACC) for selected comparable companies. The WACC for the comparable companies ranged from 9.0% to 13.4%. Based on the results of this analysis, Houlihan Lokey estimated discount rates in the range of 10%-12% and 12%-14% as being representative of discount rates for companies with operations similar to the Company's HVAC segment and Formtek segments, respectively.

The 5.5x-7.5x and 4.0x-6.0x ranges of EBITDA multiples used in the Discounted Cash Flow Analysis reflected the range of multiples that Houlihan Lokey believed that the HVAC segment and Formtek segments, respectively, could be sold for at the end of the projection period. Additionally, these multiples are consistent with the forward multiples used to calculate enterprise value from operations for these segments under the Market Multiple Approach.

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A Discounted Cash Flow Analysis produces a wide range of value. Houlihan Lokey narrowed the range by selecting values in the middle of the range.

Houlihan Lokey analyzed the Company as the sum of the constituent HVAC and Formtek units, or as the Sum of its Parts, to determine an implied valuation for the Company's common stock. Houlihan Lokey calculated the Sum-of-the-Parts valuation range by (i) adding the ranges of implied enterprise values for each of the HVAC and Formtek segments, as described above, (ii) adding the value of certain non-operating assets and subtracting the value of non-operating liabilities, and (iii) subtracting debt and minority interests. The resulting range of equity values was divided by the number of outstanding shares of common stock to derive a range of per share equity values of \$13.43 to \$16.22. Houlihan Lokey's

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Sum-of-the-Parts Valuation is set forth below.

<u>Mestek Valuation</u>	<u>Low</u>	<u>High</u>
	(numbers in thousands,	
	except per share values)	
HVAC Segment Enterprise Value	\$140,000	\$160,000
Formtek Segment Enterprise Value	\$27,150	\$31,500
Total Enterprise Value from Operations	167,150	\$191,500
Add: Cash as of 12/31/05	\$2,199	\$2,199
Add: Non-Operating Asset ⁽¹⁾	\$1,589	\$1,589
Add: NOL Value	\$1,574	\$1,574
Less: Non operating Liabilities as of 12/31/05 ⁽²⁾	\$20,907	\$20,907
Total Enterprise Value	\$151,605	\$175,955
Less: Total Debt as of 12/31/05 ⁽³⁾	\$33,489	\$33,489
Less: Minority Interest as of 12/31/05 ⁽⁴⁾	\$811	\$811
Total Equity Value	\$117,305	\$141,655
Number of Shares Outstanding	8,732.125	8,732.125
Price Per Share	\$13.43	\$16.22
Offer Price	\$15.24	\$15.24

Footnotes:

- (1) Represents property held for sale relating to Engel building (\$550,000) and Lisle Illinois facility (\$1,039,000).
- (2) Non-operating liabilities include \$19.307 million in environmental reserves backed by a 40 year letter of credit and \$1.6 million in pension obligations.
- (3) Debt balance consists of \$22.777 in Notes Payable and \$10.713 in Long Term Debt.
- (4) Relates to small portion of Boyertown Foundry Co. that is not owned by Mestek.

Analysis of Recent Going Private Transactions. Houlihan Lokey reviewed recent going private transactions effectuated by means of a reverse stock split and analyzed the premiums paid in these transactions relative to the closing price of the underlying common stock one day, one week and one month prior to the announcement of the transaction. The average of the mean and median premiums observed for such one day, one week and one month periods were 17.0%, 16.0% and 16.0%, respectively (rounded to the nearest percent).

Houlihan Lokey used the results of the various valuation approaches used (previously listed) to estimate an enterprise value from operations, which is defined as equity value plus book value of debt plus other liabilities minus cash and equivalents, for the HVAC segment to be in a range of approximately \$140.0 million to \$160.0 million and an enterprise value from operations for the Formtek segment to be in a range of \$27.2 million to \$31.5 million. Houlihan Lokey used these conclusions to calculate the Company's total implied enterprise value from operations to be in the range of approximately \$167.2 million to \$191.5 million and total enterprise value, which is defined as enterprise value from operations plus cash plus non-operating assets less non-operating liabilities to be in a range of approximately \$151.6 million to \$176.0 million.

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Individual analyses were performed in order to arrive at enterprise values from operations for each of the HVAC segment and the Formtek segment. The results of these segment valuations were then added in order to derive a per share value. In order to derive a per share equity value for each of the discrete segments, it would be necessary to calculate an aggregate equity value for each segment. To calculate a separate segment equity value from enterprise value from operations, it would be necessary to allocate cash, non-operating assets, debt and non-operating liabilities between the two segments. Houlihan Lokey was not able to do this on a segment basis due to the fact such items relate to the consolidated company and cannot be allocated between segments. The EBITDA data for the segments has previously been disclosed.

Miscellaneous Considerations. No single company or transaction used in the above analyses, as a comparison, is identical to the Company or the proposed going private transaction, and an evaluation of the results of the foregoing analyses is not entirely mathematical. Rather, the analyses involve complex

considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies, businesses, or transactions analyzed. The analyses were prepared solely for purposes of Houlihan Lokey providing an opinion as to the fairness, from a financial point of view, of the consideration to be paid in the proposed going private transaction to the Company's shareholders (other than the Reeds), including shareholders who will receive cash in the proposed going private transaction, as well as those who will remain shareholders after the proposed going private transaction, and do not purport to be appraisals or necessarily reflect the prices at which businesses or securities actually may be sold, which are inherently subject to uncertainty.

The preparation of a fairness opinion is a complex process that involves the application of subjective business judgments in determining the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Several analytical approaches were used by Houlihan Lokey and no one method of analysis should be regarded as critical to the overall conclusion reached. Each analytical technique has inherent strengths and weaknesses, and the nature of the available information may further affect the value of particular approaches. Houlihan Lokey's overall conclusions were based on all the analyses and factors described above taken as a whole and also based on Houlihan Lokey's experience and judgment. These conclusions may involve significant elements of subjective judgment and qualitative analysis. Houlihan Lokey therefore believes that its analyses must be considered as a whole and that selecting portions of the analyses and of the factors considered, without considering all factors and analyses, could create an incomplete or misleading view of the processes underlying its opinion.

In connection with its analyses, Houlihan Lokey made, and was provided by the Company's management with, numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the Company's control. Analyses based upon forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by these analyses. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the Company, neither the Company nor Houlihan Lokey nor any other person assumes responsibility if future results or actual values are materially different from these forecasts or assumptions. In addition, Houlihan Lokey has not been engaged to consider, and has expressed no opinion as to the effect of any possible changes in the assumptions or subsequent transactions as of the date of this proxy statement from those described to Houlihan Lokey in connection with the delivery of its opinion.

The Special Committee selected Houlihan Lokey to render its opinion based on Houlihan Lokey's experience in mergers and in securities valuation generally. Houlihan Lokey is a nationally recognized investment banking firm that is continuously engaged in providing financial advisory services and rendering fairness opinions in connection with mergers and acquisitions, leveraged buyouts, and business and securities valuations for a variety of regulatory and planning purposes, recapitalizations, financial restructuring and private placements of debt and equity securities. Houlihan Lokey was not involved in determining the consideration to be paid to holders of the Common Stock in the proposed going private transaction.

Houlihan Lokey, or its affiliates, have received \$400,000 in connection with delivering its fairness opinion, which are the only fees Houlihan Lokey has received from the Company or its affiliates during the past two years. However, Houlihan Lokey may continue to provide other services in the future, for which it may receive a fee. No portion of Houlihan Lokey's fee is contingent on the completion of the proposed going private transaction or the conclusions set forth in its opinion. In addition, and regardless of whether the proposed going private transaction is completed, Houlihan Lokey is entitled to reimbursement from the Company of its reasonable out-of-pocket expenses incurred in connection with its services, including its reasonable attorneys' fees and related expenses, as well as indemnification against certain liabilities and expenses related to or arising in connection with the rendering of its services, including liabilities under the federal securities laws.

See SPECIAL FACTORS Recommendation of the Board of Directors; Mr. John E. Reed and Mr. Stewart B. Reed (Page 53), SPECIAL FACTORS Effects of the Transaction Effects on the Affiliated Remaining Shareholders (Page 33).

Approval of Security Holders

Approval of each of the proposals requires the affirmative vote of the holders of at least a majority of the outstanding shares of common stock cast on such proposal at the Annual Meeting, once a quorum has been established. In addition, the Board of Directors has conditioned the going private transaction upon the receipt of the following shareholder votes in favor of the First and Second Amendments to the Restated Articles of Incorporation: (i) a majority of the votes cast at the meeting by the unaffiliated holders of the outstanding shares of common stock of the Company (a so-called majority of the minority or neutralized ~~vote~~); (ii) a majority of the votes cast at the Annual Meeting by the affiliated shareholders. The Company's directors and executive officers, and members of the family of John E. Reed, all but one of whom have indicated to the Company that they intend to vote their shares for each of the proposals, owned an aggregate of 6,034,667 shares of common stock, representing 69.11% of our outstanding shares as of June 6, 2006. See Security Ownership of Certain Beneficial Owners and Management (Page 107). Accordingly, it is likely that the transaction will be approved by the affirmative vote of the holders of at least a majority of the outstanding shares of common stock cast at the Annual Meeting and a majority of the outstanding shares of common stock held by affiliated shareholders and cast at the Annual Meeting. Other than the expressed intent of all but one of the directors and executive officers and members of the Reed family to vote their shares for the transaction, the Company has not obtained any assurances or agreements from any of its shareholders as to how they will vote on the proposals so there can be no assurance how the unaffiliated shareholders will vote, and, accordingly, whether the proposed transaction will receive a favorable vote of the majority of the minority shareholders necessary for the transaction to proceed.

See Matters to be Acted On Vote Required (Page 122).

Conversion of Shares in the Transaction

On the Effective Date of the Transaction:

Shareholders holding fewer than 2,000 pre-split shares will be entitled to receive cash equal to \$15.24 per share, without interest, and such shares will be cancelled;

Shareholders holding immediately prior to the Effective Time 2,000 or more pre-split shares (whether record shares or street shares) will continue to hold such shares after giving effect to the forward split.

As used above:

the term record shares means shares of the Company's common stock, other than street shares, and any record share shall be deemed to be held by the registered holder thereof as reflected on the books of the Company;

the term street shares means shares of the Company common stock held of record in street name, and any street share shall be deemed to be held by the beneficial owner thereof as reflected on the books of the nominee holder thereof. The term holder means: (a) any record holder who would be deemed, under Rule 12g5-1 under the Exchange Act as described below, to be a single person for purposes of determining the number of record shareholders of the Company, and (b) any other person or persons who would be deemed to be a holder under the above clause if the shares it holds beneficially in street name were held of record by such person or persons.

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The Company (along with any other person or entity to which it may delegate or assign any responsibility or task with respect thereto) shall have full discretion and exclusive authority (subject to its right and power to so delegate or assign such authority) to make such inquiries, whether of any shareholder(s) or otherwise, as it may deem appropriate for purposes of effecting the split transaction; and resolve and determine, in its sole discretion, all ambiguities, questions of fact and interpretive and other matters relating to such provisions including, without limitation, any questions as to the number of pre-split shares held by any shareholder. All such determinations by the Company shall be final and binding on all parties, and no person or entity shall have any recourse against the Company or any other person or entity with respect thereto.

For purposes of effecting the transaction, the Company may, in its sole discretion, but shall not have any obligation to do so:

presume that any shares of the Company common stock held in a discrete account (whether record or beneficial) are held by a person distinct from any other person, notwithstanding that the registered or beneficial holder of a separate discrete account has the same or similar name as the holder of a separate discrete account; and

aggregate the shares held (whether of record or beneficially) by any person or persons that the Company determines to constitute a single holder for purposes of determining the number of shares held by such holder.

Cash Payment in Lieu of Shares of Common Stock

We will not issue any fractional shares to holders of fewer than 2,000 pre-split shares in connection with the split transaction. Instead, if a shareholder holds fewer than 2,000 pre-split shares, the Company will pay \$15.24 per pre-split share in lieu of issuing fractional shares. We will not pay interest on cash sums due any such shareholder pursuant to the split transaction or any brokerage commissions incurred by such shareholder.

Assuming the transaction occurs, as soon as practical after the Effective Time, the Company will mail a letter of transmittal to each holder of record holding fewer than 2,000 shares. The letter of transmittal will contain instructions for the surrender of the certificate or certificates to the Company's exchange agent in exchange for the payment of the aggregate purchase price. The certificate exchange and cash payment, if applicable, will be made promptly to each shareholder who has properly surrendered outstanding certificate(s), together with a fully completed letter of transmittal, to the Company's exchange agent. The actual amount of time that may elapse until shareholders receive their certificates and/or payments will vary depending upon several factors, including the amount of time it takes each shareholder to surrender such shareholder certificate or certificates.

Potential Conflicts of Interest

John E. Reed, our Chairman and Chief Executive Officer, and his son, Stewart B. Reed, a compensated consultant to the Company, both of whom are directors, and each of the other members of the Board of Directors, as well as certain of the executive officers of the Company, participated in structuring and setting the terms of the transaction. These same officers and directors will continue in their roles as officers and directors following the transaction.

The executive officers and directors of the Company may have interests in the transaction that are different from the interests of the shareholders, or relationships that may present conflicts of interest, including the following:

as of June 6, 2006, all members of the Board of Directors except Mr. Edward J. Trainor, and all but one executive officer of the Company holds of record 2,000 or more shares of the common stock of the Company and will retain their shares after the transaction;

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three of the executive officers hold options to purchase the common stock of the Company which will, if unexercised, continue to be outstanding following the going private transaction;

as a result of the transaction, John E. Reed will increase his percentage ownership interest from approximately 57.38% to approximately 61.86%, and Stewart B. Reed will increase his percentage ownership interest from approximately 9.96% to approximately 10.74% as a result of the reduction of the number of shares of common stock outstanding by an estimated 632,125 shares; and

as a result of the transaction, shareholders who own of record 2,000 or more shares at the Effective Time of the amendment to the Restated Articles of Incorporation effecting the reverse

stock split, including directors and executive officers, will increase their percentage ownership interest as a result of the transaction. For example, the ownership percentage of the directors and executive officers as a group will increase from 69.11% to approximately 74.50% as a result of the reduction of the number of shares of common stock outstanding by an estimated 632,125 shares.

Reports, Opinions, Appraisals and Other Considerations

No firm offers have been made by an unaffiliated person during the preceding two years for (i) the merger or consolidation of the Company into or with such person, (ii) the sale or other transfer of all or any substantial part of the assets of the Company, or (iii) the purchase of a number of shares of common stock that would enable the holder thereof to exercise control of the Company.

Sources and Amounts of Funds or Other Consideration

We estimate that the total funds required to pay the consideration to shareholders entitled to receive cash for their shares and to pay fees and expenses relating to the transaction will be approximately \$10,500,000. This estimate does not include the costs to defend litigation challenging the transaction. The consideration to shareholders and the fees and expenses incurred in connection with the transaction will be paid out of cash flow from operations and from borrowings under our previously negotiated \$70,000,000 line of credit facility lead by Bank of America. Borrowings under the facility bear interest, at the Company's election, at a floating rate based on the lenders' prime or base rate or, for short term borrowings, at a rate based upon the daily British Bankers Association (BBA) LIBOR rate. The current LIBOR-based rate as of June 26, 2006 is 6.38%. The facility contains affirmative and negative covenants, typical of such financing transactions, and specific financial covenants which require the Company to maintain a minimum consolidated net worth, a minimum cash flow coverage ratio and a maximum cash flow leverage ratio. As of December 31, 2005, the Company was in compliance with all of the financial covenants required under the facility. Revolving borrowings under the facility are due and payable in full on the maturity date of the facility, which is October 19, 2007. Most of the Company's operating subsidiaries guaranty the obligations of the Company under the facility. The Credit Agreement relating to the facility also contains restrictions regarding the creation of indebtedness, the occurrence of mergers or consolidations, the sale of subsidiary stock and the payment of dividends in excess of 50 percent (50%) of net income. We have no plans or arrangements to finance or repay the facility.

Recommendation of the Board of Directors, Mr. John E. Reed and Mr. Stewart B. Reed

The Board of Directors, Mr. John E. Reed and Mr. Stewart B. Reed determined that the transaction is in the best interests of the Company and its shareholders and that the transaction is fair to its unaffiliated shareholders who will receive cash in the transaction and to those unaffiliated shareholders who will remain shareholders after the transaction. The Board of Directors, Mr. John E. Reed and Mr. Stewart B. Reed also believe that the process for approving the transaction was procedurally fair. See SPECIAL FACTORS Fairness of the Transaction (Page 39).

The Board of Directors recommends that shareholders vote FOR approval and adoption of the proposals to amend the Company's Restated Articles of Incorporation to effect the transaction. In considering the recommendation of the Board of Directors with respect to the transaction, shareholders should be aware that the Company's executive officers and directors have interests in the transaction that are in addition to, or different from, our shareholders generally and that these interests may create potential conflicts of interest. See SPECIAL FACTORS Effects of the Transaction (Page 31).

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The Board of Directors has the authority to reject (and not implement) the transaction, even after approval thereof by shareholders, if it determines subsequently that the transaction is not then in the best interests of the Company and its shareholders.

SUMMARY FINANCIAL INFORMATION

The following table presents a summary of selected financial information derived from our audited financial statements for the years ended December 2004 and 2005 and unaudited financial statements for the quarter ended March 31, 2006, each of which is included elsewhere in this Proxy Statement. The historical information presented in the following table is not intended to be indicative of the results of operations or financial position that would have been obtained if the proposed going private transaction had been completed on January 1, 2004, or of our future performance subsequent to the completion of the going private transaction.

You should read the summary financial information in conjunction with our audited and unaudited consolidated financial statements and the notes to the audited and unaudited financial statements which are included elsewhere in this Proxy Statement.

	For the Years Ended December 31, <u>2004</u> (audited)	2005	For the Three Months Ended March 31, <u>2006</u> (unaudited)
(Dollars in thousands, except earnings per common share),			
Statement of Operations			
Net Sales	\$356,698	\$372,295	\$90,781
Cost of Sales	<u>266,210</u>	<u>276,946</u>	<u>69,024</u>
Gross Profit	90,488	95,349	21,757
Operating Expenses	<u>66,468</u>	<u>86,269</u>	<u>20,698</u>
Operating Profit before Reorganization Items	24,020	9,080	1,059
Subsidiary Bankruptcy Professional Fees	<u>9,028</u>	<u>524</u>	<u>---</u>
Operating Profit	14,992	8,556	1,059
Interest Expense net	(1,181)	(1,538)	(489)
Other Income Expense net	2,222	(122)	(140)
Income Taxes Expense	<u>(757)</u>	<u>(3,157)</u>	<u>(204)</u>
Net Income from Continuing Operations	<u>15,276</u>	<u>3,739</u>	<u>226</u>
Net Income of Discontinued Business	<u>6,258</u>	<u>3,713</u>	<u>---</u>
Net Income	\$21,534	\$7,452	\$226
Basic Earnings Per Common Share:			
Continuing Operations	\$1.77	\$0.43	\$0.03
Discontinued Operations	<u>0.72</u>	<u>0.43</u>	<u>---</u>
Net Income	\$2.49	\$0.86	\$0.03
Basic Weighted Average Shares Outstanding	8,658	8,673	8,732
Diluted Earnings Per Common Share:			
Continuing Operations	\$1.76	\$0.43	\$0.03
Discontinued Operations	<u>0.72</u>	<u>0.43</u>	<u>---</u>
Net Income	\$2.48	\$0.86	\$0.03
Diluted Weighted Average Shares Outstanding	8,678	8,686	8,732

**For the
Years Ended**

**For the
Three Months Ended**

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	December 31, <u>2004</u>	<u>2005</u>	March 31, <u>2006</u>
	<u>(audited)</u>		<u>(unaudited)</u>
	(dollars in thousands),		
Balance Sheet Data			
Current Assets	\$143,598	\$138,906	\$136,760
Total Assets	254,994	228,573	227,587
Current Liabilities	93,433	93,924	93,348
Total Liabilities	139,173	122,853	121,467
Minority Interest	744	810	843
Total Shareholders' Equity	115,047	104,910	105,277
Total Liabilities and Shareholders' Equity	\$254,994	\$228,573	\$227,587

RATIO OF EARNINGS TO FIXED CHARGES

	<u>Historical</u>	<u>Historical</u>	<u>Historical</u>	<u>Pro Forma</u>	<u>Pro Forma</u>
	<u>12 Months</u>	<u>12 Months</u>	<u>3 Months</u>		<u>3 Months</u>
	<u>2004</u>	<u>2005</u>	<u>March 31,</u>	<u>12 Months 2005</u>	<u>2006</u>
	<u>March 31,</u>				
	<u>2006</u>				
	<u>(Dollars in thousands, except shareholders equity per common share and ratio of earnings to fixed charges)</u>				
Fixed Charges:					
Interest Component of Rents	\$1,156	\$1,270	\$318	\$1,270	\$318
Interest on Debt	<u>1,452</u>	<u>1,709</u>	<u>532</u>	<u>2,129</u>	<u>637</u>
Total Fixed Charges	<u>\$2,608</u>	<u>\$2,979</u>	<u>\$850</u>	<u>\$3,399</u>	<u>\$955</u>
Earnings:					
Consolidated Net Income	\$21,534	\$7,452	\$226	\$7,410	\$226
Add Back (subtract):					
(Net Income - Discontinued Business)	(6,258)	(3,713)	---	(3,713)	---
Income Tax expense - Continuing Operations	757	3,157	204	3,185	197
Total Fixed Charges	<u>2,608</u>	<u>2,979</u>	<u>850</u>	<u>3,399</u>	<u>955</u>
Total Earnings	\$18,641	\$9,875	\$1,280	\$10,281	\$1,378
Ratio of Earnings to Fixed Charges	<u>7.15</u>	<u>3.31</u>	<u>1.51</u>	<u>3.02</u>	<u>1.44</u>
Shareholders Equity per Common Share	<u>\$13.38</u>	<u>\$12.01</u>	<u>\$12.06</u>	<u>\$11.65</u>	<u>\$11.70</u>

The Pro Forma columns above reflect the ratio of earnings to fixed charges recomputed on the basis of the Pro Forma Unaudited Financial Statements (Page 57) which give hypothetical effect to the going private transaction as if it had happened on January 1, 2005 for Income Statement purposes and March 31, 2006 for balance sheet purposes.

Financial Statements

MESTEK, INC.

UNAUDITED PRO FORMA FINANCIAL STATEMENTS

The unaudited pro forma financial statements presented below consist of the unaudited pro forma income statement for the three months ended March 31, 2006 and the twelve months ended December 31, 2005 and the unaudited pro forma balance sheet as of March 31, 2006. The unaudited pro forma financial statements have been prepared to reflect certain adjustments to our historical financial statements, which are described in the Notes to Unaudited Pro Forma Financial Statements, to give effect to the proposed going private transaction as if it had been completed on March 31, 2006 for balance sheet purposes and January 1, 2005 for Income Statement purposes. The unaudited pro forma financial statements are derived from our audited financial statements for 2005 and our unaudited financial statements for the three months ended March 31, 2006 which are included in this Information Statement under the heading Financial Information . The Pro Forma Financial Statements are not intended to be indicative of the results of operations or financial position that would have been obtained if the proposed going private transaction had been completed on January 1, 2005 or of our future performance subsequent to the completion of a going private transaction.

MESTEK, INC.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS

	For the year ended December 31, 2005			Three Months Ended March 31, 2006		
	Pro Forma			Pro Forma		
	Historical	Adjustments	Pro Forma	Historical	Adjustments	Pro Forma
	(Dollars in thousands, except earnings per common share),					
	(audited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net Sales	\$372,295	\$ 0	\$372,295	\$90,781	\$ 0	\$90,781
Cost of Goods Sold	<u>276,946</u>		<u>276,946</u>	<u>69,024</u>		<u>69,024</u>
Gross Profit	95,349		95,349	21,757		21,757
Selling Expense	47,416		47,416	12,135		12,135
General and Administrative Expense	23,151	⁽¹⁾ (350)	22,801	5,376	⁽¹⁾ (88)	5,288
Engineering Expense	12,762		12,762	2,772		2,772
Gain on sale of Product Line				(286)		(286)
Environmental Litigation/Remediation	(20)		(20)			
Plant Shutdown Expense and Other Restructuring Charges	<u>2,960</u>		<u>2,960</u>	<u>701</u>		<u>701</u>
Operating Profit before Reorganization Items	9,080	350	9,430	1,059	88	1,147
Subsidiary Bankruptcy Professional Fees	<u>524</u>		<u>524</u>			
Operating Profit	8,556	350	8,906	1,059	88	1,147
Interest Income (Expense) net	(1,538)	⁽²⁾ (420)	(1,958)	(489)	⁽²⁾ (105)	(594)
Other Income (Expense) net	<u>(122)</u>		<u>(122)</u>	<u>(140)</u>		<u>(140)</u>
Income from Continuing Operations Before Income Taxes	6,896	(70)	6,826	430	(17)	413
Income Taxes Expense (Benefit)	<u>3,157</u>	<u>(3) (28)</u>	<u>3,129</u>	<u>204</u>	<u>(3) (7)</u>	<u>197</u>
Net Income from Continuing Operations	<u>3,739</u>	<u>(42)</u>	<u>3,697</u>	<u>226</u>	<u>(10)</u>	<u>216</u>
Discontinued Operations						
Income from Operations of Discontinued						
Business Before Taxes	6,462		6,462	---		---
Applicable Income Tax Expense	<u>2,749</u>		<u>2,749</u>			
Net Income of Discontinued Business	<u>3,713</u>		<u>3,713</u>	<u>---</u>		<u>---</u>
Net Income (Loss)	\$7,452	\$ (42)	\$ 7,410	226	(10)	216
Basic Earnings (Loss) Per Common Share:						

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Continuing Operations	\$0.43	(\$0.03)	\$0.40	\$0.03		\$0.03
Discontinued Operations	<u>0.43</u>	<u>0.03</u>	<u>0.46</u>	<u>-</u>		
Net Income (Loss)	\$0.86	\$0.00	\$ 0.86	\$0.03		\$0.03
Basic Weighted Average Shares Outstanding	8,673	⁽⁴⁾ <u>(632)</u>	8,041	8,732	⁽⁴⁾ <u>(632)</u>	8,100
Diluted Earnings (Loss)Per Common Share:						
Continuing Operations	\$0.43	(\$0.03)	\$0.40	\$0.03		\$0.03
Discontinued Operations	<u>0.43</u>	<u>0.03</u>	<u>0.46</u>	<u>-</u>		
Net Income (Loss)	\$0.86	\$0.00	\$0.86	\$0.03		\$0.03
Diluted Weighted Average Shares Outstanding	8,686	⁽⁴⁾ <u>(632)</u>	8,054	8,732	⁽⁴⁾ <u>(632)</u>	8,100

MESTEK, INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

	<u>March 31, 2006</u>		
	<u>Historical</u>	<u>Pro forma</u>	<u>Pro forma</u>
	<u>(Unaudited)</u>	<u>Adjustments</u> <u>(Unaudited)</u>	<u>(Unaudited)</u>
	<u>(dollars in thousands)</u>		
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$1,632		\$1,632
Accounts Receivable - less allowances of, \$3,530	52,905		52,905
Inventories	66,959		66,959
Deferred Tax Asset	7,046		7,046
Other Current Assets	<u>8,218</u>		<u>8,218</u>
Total Current Assets	136,760		136,760
Property and Equipment net	51,603		51,603
Property Held for Sale	2,897		2,897
Deferred Tax Asset	11,358		11,358
Other Assets and Deferred Charges net	5,001		5,001
Goodwill	<u>19,968</u>		<u>19,968</u>
Total Assets	\$227,587		\$227,587
LIABILITIES AND SHAREHOLDERS EQUITY			
Current Liabilities			
Short Term Notes Payable	\$25,000	(5) 10,500	35,500
Current Portion of Long-Term Debt	710		710
Accounts Payable	21,081		21,081
Accrued Expenses	11,504		11,504
Reserve for Equity Investment Losses	3,870		3,870
Customer Deposits	14,070		14,070
Environmental Reserves	3,219		3,219
Other Accrued Liabilities	<u>13,894</u>		<u>13,894</u>
Total Current Liabilities	93,348	10,500	103,848
Environmental Reserves	15,709		15,709
Long-Term Debt	10,639		10,639
Other Liabilities	<u>1,771</u>		<u>1,771</u>
Total Liabilities	<u>121,467</u>	<u>10,500</u>	<u>131,967</u>
Minority Interests	<u>843</u>		<u>843</u>
Shareholders Equity			
Common Stock - no par, stated value \$0.05 per share,			
9,610,135 shares issued (8,978,010 shares pro forma)	479	(6) (32)	447
Paid in Capital	16,938	(6) (9,602)	7,336
Subscriptions Receivable	(295)		(295)
Retained Earnings	100,096	(7) (866)	99,230
Treasury Shares, at cost, (878,010 common shares)	(11,293)		(11,293)
Accumulated Other Comprehensive Loss	<u>(648)</u>		<u>(648)</u>

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Total Shareholders Equity	<u>105,277</u>	<u>(10,500)</u>	<u>94,777</u>
Total Liabilities and Shareholders Equity	\$227,587	---	\$227,587

Mestek, Inc.

Notes to Unaudited Pro Forma Financial Statements

STATEMENT OF OPERATIONS

- (1) \$350,000 for the twelve months ended December 31, 2005 (and \$88,000 for the three months ended March 31, 2006) reflects recurring costs of a compliance nature which the Company estimates would have been avoided in 2005 if the Company had completed the going private transaction on January 1, 2005 consisting principally of costs related to public company filing obligations, the Sarbanes-Oxley Act, and other costs of operating as a publicly traded company. Not included in the pro forma results of operations are one-time transaction costs estimated at \$866,000.
- (2) \$420,000 for the twelve months ended December 31, 2005 (and \$105,000 for the three months ended March 31, 2006) reflects estimated additional interest expense associated with incremental commercial bank borrowings of approximately \$10,500,000 associated with the going private transaction, as more fully described elsewhere in this Information Statement.
- (3) \$28,000 for the twelve months ended December 31, 2005 (and \$7,000 for the three months ended March 31, 2006) reflects the net tax effect of items 1 and 2 above.
- (4) 632,000 reflects the estimated number of common shares expected to be retired in connection with the going private transaction.

BALANCE SHEET:

(5)

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\$10,500,000 reflects anticipated borrowing to complete going private transaction (632,125 shares @ \$15.24 plus transaction costs of \$866,000).

⁽⁶⁾ Shares retired: 632,125 common shares @ \$0.05 stated capital plus paid in capital charge : 532,125 common shares @ \$15.19.

⁽⁷⁾ \$866,000 of anticipated transaction costs to effect the going private transaction.

RATIO OF EARNINGS TO FIXED CHARGES

	<u>Historical</u>	<u>Historical</u>	<u>Historical</u> <u>3 Months</u>	<u>Pro Forma</u>	<u>Pro Forma</u>
	<u>12 Months</u>	<u>12 Months</u>	<u>March 31,</u>		<u>3 Months</u> <u>March 31,</u>
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>12 Months 2005</u>	<u>2006</u>
(Dollars in thousands, except shareholders equity per common share and ratio of earnings to fixed charges)					
Fixed Charges:					
Interest Component of Rents	\$1,156	\$1,270	\$318	\$1,270	\$318
Interest on Debt	<u>1,452</u>	<u>1,709</u>	<u>532</u>	<u>2,129</u>	<u>637</u>
Total Fixed Charges	<u>\$2,608</u>	<u>\$2,979</u>	<u>\$850</u>	<u>\$3,399</u>	<u>\$955</u>
Earnings:					
Consolidated Net Income	\$21,534	\$7,452	\$226	\$7,410	\$226
Add Back (subtract):					
(Net Income - Discontinued Business)	(6,258)	(3,713)	---	(3,713)	---
Income Tax expense Continuing Operations	757	3,157	204	3,185	197
Total Fixed Charges	<u>2,608</u>	<u>2,979</u>	<u>850</u>	<u>3,399</u>	<u>955</u>
Total Earnings	\$18,641	\$9,875	\$1,280	\$10,281	\$1,378
Ratio of Earnings to Fixed Charges	<u>7.15</u>	<u>3.31</u>	<u>1.51</u>	<u>3.02</u>	<u>1.44</u>
Shareholders Equity per Common Share	<u>\$13.38</u>	<u>\$12.01</u>	<u>\$12.06</u>	<u>\$11.65</u>	<u>\$11.70</u>

The Pro Forma columns above reflect the ratio of earnings to fixed charges recomputed on the basis of the Pro Forma Unaudited Financial Statements (Page 57) which give hypothetical effect to the going private transaction as if it had happened on January 1, 2005 for Income Statement purposes and March 31, 2006 for balance sheet purposes.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Mestek, Inc.

We have audited the accompanying consolidated balance sheets of Mestek, Inc. and subsidiaries (the Company) as of December 31, 2005 and 2004, and the related consolidated statements of operations, shareholders' equity and comprehensive income (loss), and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal controls over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mestek, Inc. and subsidiaries as of December 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Vitale Caturano & Company, Ltd.

VITALE, CATURANO & COMPANY, LTD.

Boston, Massachusetts

March 31, 2006

MESTEK, INC.**CONSOLIDATED BALANCE SHEETS****As of December 31,**

	<u>2005</u>	<u>2004</u>
	(dollars in thousands)	
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$2,115	\$1,952
Accounts Receivable - less allowances of, \$3,188 and	57,361	51,997
\$2,648 respectively		
Inventories	65,065	59,531
Deferred Tax Assets	6,935	6,338
Income Tax Refund Receivable	---	1,152
Other Current Assets	7,430	7,901
Omega Flex Assets Held for Spin-Off (see Note 17)	<u>---</u>	<u>14,727</u>
Total Current Assets	138,906	143,598
Property and Equipment net	51,215	48,149
Property Held for Sale	1,698	1,297
Deferred Tax Assets	11,431	14,804
Other Assets and Deferred Charges net	5,399	3,221
Goodwill	19,924	18,130
Omega Flex Assets Held for Spin-Off (see Note 17)	<u>---</u>	<u>25,795</u>
Total Assets	\$228,573	\$254,994

See Accompanying Notes to Consolidated Financial Statements

MESTEK, INC.

CONSOLIDATED BALANCE SHEETS (continued)

As of December 31,

	<u>2005</u>	<u>2004</u>
	(dollars in thousands)	
LIABILITIES, AND SHAREHOLDERS EQUITY		
Current Liabilities		
Short Term Notes Payable	\$22,000	\$20,000
Current Portion of Long-Term Debt	704	582
Accounts Payable	21,045	15,760
Accrued Expenses	14,070	13,937
Reserve for Equity Investment Losses	3,870	4,000
Customer Deposits	13,428	8,007
Environmental Reserves	2,977	4,244
Other Accrued Liabilities	15,830	14,027
Omega Flex Liabilities related to Spin-Off (see Note 17)	<u>---</u>	<u>12,876</u>
Total Current Liabilities	93,924	93,433
Environmental Reserves	16,330	20,445
Long-Term Debt	10,774	3,801
Pension Obligations	1,610	1,208
Due to Omega Flex, Inc.	---	16,572
Other Liabilities	215	64
Omega Flex Liabilities related to Spin-Off (see Note 17)	<u>---</u>	<u>3,650</u>
Total Liabilities	<u>122,853</u>	<u>139,173</u>
Minority Interests	<u>810</u>	<u>774</u>
Shareholders Equity		
Common Stock - no par, stated value \$0.05 per share,		
9,610,135 shares issued	479	479
Paid in Capital	16,938	15,434
Subscriptions Receivable	(295)	---
Retained Earnings	99,870	111,488
Treasury Shares, at cost, (878,010 and 1,010,032 common		
shares, respectively)	(11,293)	(12,103)
Accumulated Other Comprehensive Loss	<u>(789)</u>	<u>(251)</u>
Total Shareholders Equity	<u>104,910</u>	<u>115,047</u>
Total Liabilities and Shareholders Equity	\$228,573	\$254,994

See Accompanying Notes to Consolidated Financial Statements.

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MESTEK, INC.**CONSOLIDATED STATEMENTS OF OPERATIONS****For the years ended December 31,**

	<u>2005</u>	<u>2004</u>
	(Dollars in thousands,	
	except earnings per common share),	
Net Sales	\$372,295	\$356,698
Cost of Goods Sold	<u>276,946</u>	<u>266,210</u>
Gross Profit	95,349	90,488
Selling Expense	47,416	47,086
General and Administrative Expense	23,151	20,705
Engineering Expense	12,762	14,626
Environmental Litigation/Remediation	(20)	(17,738)
Goodwill Impairment	---	---
Plant Shutdown Expense and Other Restructuring Charges	<u>2,960</u>	<u>1,789</u>
Operating Profit before Reorganization Items	9,080	24,020
Subsidiary Bankruptcy Professional Fees	<u>524</u>	<u>9,028</u>
Operating Profit	8,556	14,992
Interest Expense net	(1,538)	(1,181)
Other Income (Expense) net	<u>(122)</u>	<u>2,222</u>
Income (Loss) from Continuing Operations Before Income Taxes	6,896	16,033
Income Taxes Expense	<u>3,157</u>	<u>757</u>
Net Income (Loss) from Continuing Operations	<u>3,739</u>	<u>15,276</u>
Discontinued Operations (See Note 17):		
Income from Operations of Discontinued Business Before Taxes	6,462	10,128
Applicable Income Tax Expense	<u>2,749</u>	<u>3,870</u>
Net Income of Discontinued Business	<u>3,713</u>	<u>6,258</u>

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Net Income	\$7,452	\$21,534
Basic Earnings Per Common Share:		
Continuing Operations	\$0.43	\$1.77
Discontinued Operations	<u>0.43</u>	<u>0.72</u>
Net Income	\$0.86	\$2.49
Basic Weighted Average Shares Outstanding	8,673	8,658
Diluted Earnings Per Common Share:		
Continuing Operations	\$0.43	\$1.76
Discontinued Operations	<u>0.43</u>	<u>0.72</u>
Net Income	\$0.86	\$2.48
Diluted Weighted Average Shares Outstanding	8,686	8,678

See Accompanying Notes to Consolidated Financial Statements.

MESTEK, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY AND COMPREHENSIVE INCOME (LOSS)

For the years ended December 31, 2005, and 2004

	Com	Paid In	Sub	Retained	Treasury	Accum	
	mon	Capital	scription	Earnings	Shares	ulated	
	Stock		Receiv			Other	
(dollars in thousands)			able			Compre	Total
						hensive	
Balance - December 31, 2003	\$479	\$15,434		\$89,954	(\$10,101)	(\$970)	\$94,796
Net Income				21,534			21,534
Cumulative Translation							
Adjustment Cash Flow Hedge-Interest Rate						803	803
Swap Additional Minimum Liability						88	88
Defined Benefit Plan							
Net of Tax						(172)	(172)
Net Comprehensive Income							22,253
Common Stock Grants (See Note 1)					51		51
Common Stock Repurchased					(2,053)		(2,053)
Balance - December 31, 2004	\$479	\$15,434		\$111,488	(\$12,103)	(\$251)	\$115,047
Net Income				7,452			7,452
Cumulative Translation							
Adjustment Cash Flow Hedge-Interest Rate						(388)	(388)
Swap Additional Minimum Liability						98	98
Defined Benefit Plan							
Net of Tax						(248)	(248)
Net Comprehensive Income							6,914
Distribution of Common Stock				(19,070)			(19,070)

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of Omega Flex, Inc. (See Note 17)
Common Shares issued from

Treasury in connection with

Incentive Stock Options

exercised (See Note 18)									
Stock-based Compensation			716				810		1,526
expense (See Note 1)			788	(295)					493
Balance December 31, 2005	\$479	\$16,938		(\$295)	\$99,870		(\$11,293)	(\$789)	\$104,910

See Accompanying Notes to Consolidated Financial Statements

MESTEK, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31,

	<u>2005</u>	<u>2004</u>
	(dollars in thousands)	
Cash Flows from Continuing Operating Activities:		
Net Income from Continuing Operations	\$3,739	\$15,276
Adjustments to Reconcile Net Income to Net Cash Provided by		
Operating Activities:		
Depreciation and Amortization	6,500	7,113
Provision for Deferred Taxes	745	1,953
Provision for Losses on Accounts Receivable, net of write offs &		
recoveries	355	(669)
Increase (Decrease) in Minority Interests	25	(754)
Non Cash Stock-Based Compensation	788	24
Change in Assets and Liabilities Net of Effects Acquisitions		
/Dispositions:		
Accounts Receivable	(3,213)	(2,388)
Inventory	(2,263)	(9,228)
Accounts Payable	6,344	(1,808)
Liabilities Subject to Compromise	---	