FEDERAL SIGNAL CORP /DE/
Form DEF 14A
March 25, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant þ
Filed by a Party other than the Registrant o

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

FEDERAL SIGNAL CORPORATION

(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):

þ No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:
(2) Aggregate number of securities to which transaction applies:
(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
(4) Proposed maximum aggregate value of transaction:
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o Fee paid previously with preliminary materials.
o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:
(2) Form, Schedule or Registration Statement No.:
(3) Filing Party:
(4) Date Filed:

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1415 West 22nd Street
Oak Brook, Illinois 60523

Notice of Annual Meeting of Stockholders
To Be Held on April 26, 2011

To the Stockholders of
Federal Signal Corporation:

The Annual Meeting of Stockholders of Federal Signal Corporation will be held at the Oak Brook Marriott, 1401 West 22nd Street, Oak Brook, Illinois 60523 on Tuesday, April 26th, 2011 at 2:30 p.m. local time, for the following purposes:

To elect one (1) Class I director, one (1) Class II director and three (3) Class III directors;

To approve an advisory resolution relating to our executive compensation;

To recommend, by advisory vote, the frequency of future advisory votes on executive compensation;

To ratify Ernst & Young LLP s appointment as our independent registered public accounting firm for 2011; and

To transact such other business that may properly come before the meeting or any adjournment(s) or postponement(s) of such meeting.

The Board of Directors has fixed the close of business on March 18, 2011 as the record date for the meeting. This means that if you owned shares of our common stock on that date, you are entitled to receive this notice, and to vote at the meeting or any adjournment(s) or postponement(s) of the meeting.

The Board of Directors recommends that you vote FOR the nominees for director proposed by the Board; FOR the advisory resolution relating to our executive compensation; 1 YEAR for the advisory vote on the frequency of future advisory votes on executive compensation; and FOR the ratification of Ernst & Young LLP as our independent registered public accounting firm for 2011.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be Held on April 26, 2011

The following materials, also included with this Notice, are available to be viewed, downloaded, and printed, at no charge, by accessing the following Internet address: http://www.federalsignal.com.
1. Proxy Statement for the Annual Meeting of Stockholders, and
2. 2010 Annual Report to Stockholders

YOUR VOTE IS IMPORTANT! Whether or not you expect to attend the meeting, you are urged to vote as promptly as possible in one of the following ways:

Use the toll-free telephone number shown on the enclosed proxy card;

Go to the website address shown on the enclosed proxy card and vote via the Internet; or

Sign, date and promptly return the enclosed proxy card in the postage-paid envelope provided.

Any proxy may be revoked at any time prior to its exercise at the Annual Meeting.

Instructions for voting are contained on the enclosed proxy card. If you have any questions or need assistance in voting your shares of our common stock, please call the Corporate Secretary at (630) 954-2008 or email us at info@federalsignal.com.

By order of the Board of Directors,

Jennifer L. Sherman
Corporate Secretary

March 25, 2011

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1415 West 22nd Street
Oak Brook, Illinois 60523

Proxy Statement for Annual Meeting of Stockholders
To Be Held on April 26, 2011

GENERAL INFORMATION

The Board of Directors of Federal Signal Corporation is furnishing this proxy statement to you in order to solicit your proxy for use at the Annual Meeting of Stockholders to be held at the Oak Brook Marriott, 1401 West 22nd Street, Oak Brook, Illinois 60523 on Tuesday, April 26, 2011 at 2:30 p.m. local time, and any adjournment(s) or postponement(s) of such meeting. The purpose of the Annual Meeting of Stockholders is:

1. To elect one (1) Class I director, one (1) Class II director and three (3) Class III directors;
2. To approve an advisory resolution relating to our executive compensation;
3. To recommend, by advisory vote, the frequency of future advisory votes on executive compensation;
4. To ratify Ernst & Young LLP s appointment as our independent registered public accounting firm for 2011; and
5. To transact such other business that may properly come before the meeting or any adjournment(s) or postponement(s) of such meeting.

The Board of Directors recommends that you vote FOR the nominees for director proposed by the Board; FOR the advisory resolution relating to our executive compensation; 1 YEAR for the advisory vote on the frequency of future advisory votes on executive compensation; and FOR the ratification of Ernst & Young LLP as our independent registered public accounting firm for 2011.

This proxy statement and the accompanying proxy card were first mailed to stockholders on or about March 25, 2011.

Voting Your Shares

You may vote on the above matters in the following ways:

By Telephone or Internet: You may vote by telephone or Internet by following the instructions included on the enclosed proxy card.

By Written Proxy: You may vote by written proxy by signing, dating and returning the enclosed proxy card in the postage-paid envelope provided.

In Person: If you are a record stockholder, you may vote in person at the Annual Meeting. You are a record stockholder if your shares are registered in your name. If your shares are in the name of your broker or bank, your shares are held in street name and you are not a record stockholder. If your shares are held in street name and you wish to vote in person at the Annual Meeting, you will need to contact your broker or bank to obtain a legal proxy allowing attendance at the Annual Meeting. If you plan to attend the Annual Meeting in person, please bring proper identification and proof of ownership of your shares.

You will be entitled to vote at the Annual Meeting only if you held shares of our common stock of record at the close of business on March 18, 2011, the record date. You will be entitled to one vote for each share you owned on the record date for each of the five directorships to be elected and on each other matter presented at the meeting. On the record date, there were 62,117,077 shares of our common stock issued and outstanding.

Our By-Laws provide that a majority of the outstanding shares, present in person or by proxy, will constitute a quorum at the Annual Meeting. For purposes of determining if a quorum is present, we will count all shares that are voted on any proposal as well as those shares that are designated as withholding authority to vote for a nominee or nominees or abstaining from any proposal as shares represented at the Annual Meeting and counted toward establishing the presence of a quorum.

You can direct how your shares will be voted at the Annual Meeting by signing, dating and returning the enclosed proxy card. If you return a proxy card, but no specific voting instructions are given with respect to a proposal, your shares will be voted for the Class I nominee, for the Class II nominee and for each of the three Class III nominees named on the proxy card; for the advisory resolution relating to our executive compensation; 1 year for the advisory vote on the frequency of future advisory votes on executive compensation; and for the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2011.

If you hold your shares in more than one account, you will receive a proxy card for each account. To ensure that all of your shares are voted, please vote by telephone or Internet for each account, or sign, date and return a proxy card for each account in the postage-paid envelope provided.

Broker Non-Votes

Under the rules that govern brokers who have record ownership of shares that they hold in street name for clients who beneficially own such shares, a broker may vote such shares in its discretion on routine matters if the broker has not received voting instructions from its client, but a broker cannot exercise its discretion to vote such shares on non-routine matters absent voting instructions from its client. When a broker votes a client s shares on some but not all of the proposals presented at the meeting, each non-routine proposal for which the broker cannot vote because it has not received a voting instruction from the client is referred to as a broker non-vote. Proposals 1, 2 and 3 are non-routine matters. Therefore, if your shares are held in street name and you do not provide instructions as to how your shares are to be voted on Proposals 1, 2 and 3, your broker will not be able to vote your shares on these proposals. **Your vote is important we urge you to provide instructions to your broker so that your votes may be counted.**

Votes Required

Our By-Laws provide that, in an uncontested election, as is the case in this election, a nominee for director shall be elected to the Board if the votes cast for such nominee s election exceed the withhold authority votes cast with respect to such nominee s election (Proposal 1).

Approval of the advisory resolution relating to our executive compensation requires the affirmative vote of a majority of the shares of our common stock cast in person or by proxy on the proposal (Proposal 2).

The frequency of the advisory vote (every one, two or three years) on executive compensation that receives the greatest number of votes will be considered our stockholders advice on the frequency issue (Proposal 3).

The affirmative vote of a majority of the shares of our common stock cast in person or by proxy on the proposal is required to ratify the appointment of the auditors (Proposal 4).

In tabulating the voting result for any particular proposal, shares that constitute broker non-votes and, pursuant to our By-Laws, abstentions are not considered votes cast on that proposal. Accordingly, broker non-votes and abstentions will not affect the outcome of any matter being voted on at the Annual Meeting.

Shares Held in 401(k) Plan

On March 18, 2011, our 401(k) Plan, which is called the Federal Signal Corporation Retirement Savings Plan, held 1,346,656 shares of our common stock in the name of Vanguard Fiduciary Trust Company, as trustee of the 401(k) Plan. If you are a participant in the 401(k) Plan, you may instruct Vanguard how to vote shares of common stock credited to your 401(k) Plan account by indicating your instructions on your proxy card and returning it by April 20,

2011. A properly executed proxy card will be voted by Vanguard as directed. If no proper voting direction is received, Vanguard, in its capacity as the 401(k) Plan Trustee, will vote your shares held in the 401(k) Plan in the same proportion as votes received from other participants in the 401(k) Plan.

Revocability of Proxy

You may revoke your proxy at any time before it is voted by:

- voting by telephone or Internet on a later date, or delivering a later-dated proxy card prior to or at the Annual Meeting;
- filing a written notice of revocation with our Corporate Secretary; or

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attending the Annual Meeting and voting your shares in person. Attendance alone at the Annual Meeting will not revoke a proxy.

Householding of Proxies

The Securities and Exchange Commission has adopted rules that permit companies and intermediaries such as brokers to satisfy delivery requirements for annual reports and proxy statements with respect to two or more stockholders sharing the same address by delivering a single annual report and/or proxy statement addressed to those stockholders. This process, which is commonly referred to as householding, potentially provides extra convenience for stockholders and cost savings for companies. We and some brokers may household annual reports and proxy materials, delivering a single annual report and/or proxy statement to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders.

Once you have received notice from your broker or us that they or we will be householding materials to your address, householding may continue until you are notified otherwise or until you revoke your consent. You may request to receive at any time a separate copy of our annual report or proxy statement, by sending a written request to Federal Signal Corporation, 1415 West 22nd Street, Suite 1100, Oak Brook, IL 60523, Attn: Corporate Secretary, or calling 630-954-2008.

If, at any time, you no longer wish to participate in householding and would prefer to receive a separate annual report and/or proxy statement in the future, please notify your broker if your shares are held in a brokerage account or us if your shares are registered in your name. You can notify us by sending a written request to Federal Signal Corporation, 1415 West 22nd Street, Suite 1100, Oak Brook, IL 60523, Attn: Corporate Secretary, or calling 630-954-2008. If, at any time, you and another stockholder sharing the same address wish to participate in householding and prefer to receive a single copy of our Annual Report and/or proxy statement, please notify your broker if your shares are held in a brokerage account or us if your shares are registered in your name. You can notify us by sending a written request to Federal Signal Corporation, 1415 West 22nd Street, Suite 1100, Oak Brook, IL 60523, Attn: Corporate Secretary, or calling 630-954-2008.

Manner of Solicitation and Solicitation Costs

We will bear the costs of solicitation of proxies for the Annual Meeting. Following the original solicitation of proxies by mail, certain of our directors, officers and employees may solicit proxies by correspondence, telephone, e-mail, or in person, but will not receive any extra compensation for such solicitation work. We will reimburse brokers and other nominee holders for their reasonable expenses incurred in forwarding the proxy materials to the beneficial owners. The Company does not presently intend to retain professional proxy solicitation assistance.

Stockholder Questions

If you have any questions about the Annual Meeting or if you need additional copies of this proxy statement or the enclosed proxy card, please contact us by sending a written request to Federal Signal Corporation, 1415 West 22nd Street, Suite 1100, Oak Brook, IL 60523, Attn: Corporate Secretary or calling 630-954-2008.

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OWNERSHIP OF OUR COMMON STOCK

The following table sets forth information as of March 18, 2011 with respect to beneficial ownership of our common stock by:

each person we know to beneficially own more than five percent of our common stock, which is our only class of outstanding voting securities;

each of our directors and Board-proposed director nominees;

each of our executive officers named in the Summary Compensation Table; and

all of our directors and executive officers as a group.

BENEFICIAL OWNERS OF MORE THAN FIVE PERCENT OF OUR COMMON STOCK

Name	Amount and Nature of Beneficial Ownership	Percent of Outstanding Common Stock(1)
Heartland Advisors, Inc. 789 North Water Street Milwaukee, WI 53202	6,787,725(2)	10.9%
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	5,392,680(3)	8.7%
Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078	4,740,079(4)	7.6%
Keeley Asset Management Corp. 401 South LaSalle Street Chicago, IL 60605	4,072,700(5)	6.6%

(1) Based upon 62,117,077 shares of common stock issued and outstanding as of March 18, 2011.

(2) Based solely on a Schedule 13G, Amendment No. 4, filed on February 10, 2011 with the Securities and Exchange Commission in which the stockholder reported that as of December 31, 2010, Heartland Advisors, Inc. had shared voting power with respect to 6,673,725 shares and shared dispositive power with respect to 6,787,725 shares as a registered investment advisor. These shares may be deemed beneficially owned by both Heartland Advisors, Inc., by virtue of its investment discretion and voting authority granted by certain clients, which may be revoked at any time, and William J. Nasgovitz, as result of his ownership interest in Heartland Advisors, Inc. Mr. Nasgovitz disclaims beneficial ownership of these shares.

(3)

Based solely upon a Schedule 13G, Amendment No. 2, filed on February 4, 2011 with the Securities and Exchange Commission in which BlackRock, Inc. reported that as of December 31, 2010, it had sole and dispositive voting power over all of these shares.

(4) Based solely upon a Schedule 13G, Amendment No. 6, filed on January 28, 2011 with the Securities and Exchange Commission in which Franklin Mutual Advisers, LLC reported that as of December 31, 2010, it had sole voting and dispositive power over all these shares in its capacity as an investment adviser to investment companies registered under the Investment Company Act of 1940 and other managed accounts. Franklin Mutual Advisers, LLC disclaims beneficial ownership of these shares.

(5) Based solely on a Schedule 13G, Amendment No. 3, filed on February 7, 2011 with the Securities and Exchange Commission in which Keeley Asset Management Corp., Keeley Small Cap Value Fund (a series of Keeley Funds, Inc.) and John L. Keeley Jr. jointly reported that as of December 31, 2010, Keeley Asset Management Corp. possessed sole dispositive power with respect to 4,072,700 shares and sole voting power with respect to 4,009,870 shares. Keeley Small Cap Value Fund reported beneficial ownership of 3,000,000 of these shares with no voting or dispositive power over these shares. John L. Keeley, Jr. reported beneficial ownership of 100,000 of these shares with no voting or dispositive power over these shares.

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EACH DIRECTOR, DIRECTOR NOMINEE AND NAMED EXECUTIVE OFFICER, AND ALL DIRECTORS AND EXECUTIVE OFFICERS AS A GROUP (1, 2)

Name	Amount and Nature of Beneficial Ownership(3)	Percent of Outstanding Common Stock(4)
James E. Goodwin	119,057	*
Charles R. Campbell	82,363	*
Paul W. Jones	66,578	*
Richard R. Mudge	11,493	*
William F. Owens	0	*
Brenda L. Reichelderfer	61,877	*
Dominic A. Romeo	10,456	*
Joseph R. Wright	42,379	*
Dennis J. Martin	67,170	*
William H. Osborne	15,000	*
William G. Barker, III	54,083	*
David E. Janek	97,179	*
Jennifer L. Sherman	159,393	*
Mark D. Weber	193,435	*
All Directors and Executive Officers as a Group (16 persons)(5)	2,311,492	3.7%

(1) The information contained in this portion of the table is based upon information furnished to us by the named individuals above and from our records. Except with respect to (i) 1,000 shares beneficially owned by Dr. Mudge, which he jointly owns with his spouse, and (ii) 1,220,311 shares held by Rietsch Enterprises, Inc., as to which shares Manfred Rietsch disclaims beneficial ownership, each director and officer claims sole voting and investment power with respect to the shares listed beside his or her name.

(2) All of our directors and officers use our Company address which is 1415 West 22nd Street, Suite 1100, Oak Brook, IL 60523.

(3) Totals include shares subject to stock options exercisable within 60 days of March 18, 2011, as follows: Mr. Goodwin, 62,210; Mr. Campbell, 26,659; Mr. Jones, 26,659; Dr. Mudge, 0; Mr. Owens, 0; Ms. Reichelderfer, 9,226; Mr. Romeo, 0; Mr. Wright, 5,000; Mr. Martin, 5,000; Mr. Osborne, 0; Mr. Barker, 28,525; Mr. Janek, 66,734; Ms. Sherman, 95,319; and Mr. Weber, 133,383; and all directors and executive officers as a group, 514,483. Totals also include shares of restricted stock awarded pursuant to our benefit plans which are subject to certain restrictions under the plans, as follows: Mr. Goodwin, 25,161. Totals also include shares held in our 401(k) Plan as follows: Ms. Sherman, 19,533; Mr. Weber, 6,754; and Mr. Janek, 1,259. Totals do not include notional shares held in our Savings Restoration Plan (formerly Rabbi Trust), as follows: Mr. Osborne, 14,874; Ms. Sherman, 2,468; and Mr. Weber, 280.

(4) Based upon 62,117,077 shares of common stock issued and outstanding as of March 18, 2011 and, for each director or executive officer or the group, the number of shares subject to stock options exercisable by such director or executive officer or the group within 60 days of March 18, 2011. The use of * denotes percentages of

less than 1%.

(5) William H. Osborne has been excluded from this group as a result of his resignation effective October 29, 2010. Total excludes 29,440 restricted stock units held by an executive officer which vest in full on the third anniversary of the date of grant.

PROPOSAL 1 ELECTION OF DIRECTORS

Our Company s Board of Directors currently consists of eight directors divided into three classes. Class I currently consists of two members and each of Classes II and III currently consist of three members. In connection with the 2010 Annual Meeting of Stockholders, the Board of Directors reconstituted the Board of Directors from ten (10) directors to nine (9) directors. As part of this reconstitution, we reassigned one (1) Class III director from Class III to Class II so that each of the Board s classes would be nearly as equal as possible, as required by Section 3.2 of our By-Laws. Additionally, we stated at the time of this reconstitution that the new Class II director would stand for re-election at the 2011 Annual Meeting, in addition to the Class III director nominees. On April 27, 2010, the Board reassigned Charles R. Campbell from Class III to Class II, and Mr. Campbell will stand for re-election at this year s Annual Meeting. In connection with Mr. Osborne s resignation as a director of the Company effective October 29, 2010, the Board of Directors reconstituted the Board of Directors from nine (9) directors to the current eight (8) directors.

On March 4, 2011, our Nominating and Corporate Governance Committee recommended, and our Board of Directors subsequently determined, that it is in the best interests of our Company to reconstitute the Board of Directors effective with this year s Annual Meeting to increase the number of directors of the Board from eight (8) to nine (9) persons pursuant to Section 3.2 of our By-Laws. As noted above, Section 3.2 of our By-Laws requires the number of directors in each class to be nearly as equal as possible. As such, the additional directorship created from this reconstitution will be assigned to Class I so that each of the Board s classes will consist of three directors.

At the 2010 Annual Meeting, our stockholders approved an amendment to our Certificate of Incorporation, which amendment phases-in the declassification of our Board of Directors and provides for the annual election of directors beginning at this year s Annual Meeting. Pursuant to this amendment, Class III directors will stand for election at this year s Annual Meeting for one year terms expiring at the 2012 Annual Meeting of Stockholders. All other directors will continue to hold office until the end of the terms for which they were elected. This means that James E. Goodwin and Joseph R. Wright, each of whom currently serve as Class I directors, will serve until the 2012 Annual Meeting of Stockholders or until their successors are elected and qualified. Richard R. Mudge and Dominic A. Romeo, who currently serve as Class II directors, will serve until the 2013 Annual Meeting of Stockholders or until their successors are elected and qualified.

As a result of the above-referenced amendment to our Certificate of Incorporation, the Class I nominee, if elected, will serve until the 2012 Annual Meeting of Stockholders, which constitutes the unexpired portion of the term currently associated with Class I directors, or until his successor is elected and qualified. The Class II nominee, if elected, will serve until the 2013 Annual Meeting of Stockholders, which constitutes the unexpired portion of the term currently associated with Class II directors, or until his successor is elected and qualified. Finally, each Class III nominee for director at this year s Annual Meeting, if elected, will serve a term of one year to expire at the 2012 Annual Meeting or until his or her successor is elected and qualified. Our Board of Directors has nominated, for election at the Annual Meeting, William F. Owens as a Class I director, Charles R. Campbell as a Class II director and Paul W. Jones, Dennis J. Martin, and Brenda L. Reichelderfer as Class III directors. Each of these nominees has been recommended for nomination by the Board of Directors acting on the recommendation of the Nominating and Governance Committee of the Board of Directors, which consists solely of independent members of the Board of Directors.

Mr. Owens, the Class I nominee, was recommended as a potential director nominee to the Nominating and Governance Committee by a stockholder of the Company as part of the search process initiated by the Board of Directors, which also solicited potential director nominees from other stockholders. In addition, the Nominating and Governance Committee engaged a third party firm, JWC Partners to assist it in identifying potential director nominees. The Nominating and Governance Committee reviewed the credentials and conducted personal interviews of a number potential director nominees, including Mr. Owens. After this process was complete, the Nominating and Governance Committee determined to nominate Mr. Owens as a director candidate to the Board for election at the 2011 Annual Meeting. The Board has determined that Mr. Owens is an independent director candidate and is not to be considered the stockholder s designee or proxy on the Board.

The stockholder who recommended Mr. Owens as a potential director nominee also presented his own credentials as a potential director nominee and subsequently submitted a notice under the Company s By-Laws of his intention to nominate himself as a director at the Company s 2011 Annual Meeting. The stockholder was notified of the Nominating and Governance Committee s intent to nominate Mr. Owens as a director candidate in the Board s slate of nominees and if elected appoint him to the Nominating and Governance Committee. Subsequently, the stockholder informed the Board that he intended to withdraw his notice of intent to nominate a candidate at the 2011 Annual Meeting. The stockholder requested, and the Board has agreed, to pay his reasonable out-of-pocket expenses in connection with his candidacy.

Pursuant to our By-Laws, in an uncontested election, as is the case in this election, a nominee for director shall be elected to the Board if the votes cast for such nominee s election exceed the withhold authority votes cast

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with respect to such nominee s election. Each of the nominees has consented to being named in this proxy statement and to serve if elected. If any of the nominees should decline or be unable to serve as a director, the persons named as proxies in the accompanying proxy card will vote the proxy for such other person(s) as the Nominating and Governance Committee may nominate as director so as to provide for a full Board.

The Board of Directors recommends a vote FOR the election of William F. Owens as a Class I director, FOR the election of Charles R. Campbell as a Class II director, and FOR the election of Paul W. Jones, Dennis J. Martin and Brenda L. Reichelderfer as Class III directors.

Information Regarding Directors and Nominees

Qualifications of the Board of Directors When identifying nominees to serve as director, our Nominating and Governance Committee considers candidates with diverse professional experience, skills, gender and ethnic background, as appropriate, in light of the current composition and needs of our Board. As part of its evaluation of a candidate s business and professional experience, the Nominating and Governance Committee considers a variety of characteristics including, but not limited to, core competencies, experience, independence, level of commitment, Board and Company needs and considerations, and personal characteristics. The Nominating and Governance Committee may also engage a third party to assist it in identifying potential director nominees. In 2010, the Nominating and Governance Committee engaged JWC Partners to assist it in selecting director nominees. The Company paid JWC Partners $75,000 plus expenses for these services.

The composition of our current Board reflects diversity in business and professional experience, skills and gender. When considering whether directors and nominees have the experience, qualifications, attributes and skills, taken as a whole, to enable our Board to satisfy its oversight responsibilities effectively in light of our Company s business and structure, the Nominating and Governance Committee and the Board focused primarily on the information discussed in each of the individual biographies below. In particular, the Nominating and Governance Committee and the Board considered the following individual attributes:

With regard to Mr. Goodwin, his extensive background in global operations as well as his broad management experience and leadership skills.

With regard to Mr. Campbell, his managerial, financial, and strategic planning expertise as well as his entrepreneurial know how and his deep knowledge and understanding of our Company and its operating companies and its lines of business.

With regard to Mr. Jones, his extensive management and manufacturing experience with multinational companies as well as his financial expertise.

With regard to Mr. Martin, his expertise in manufacturing and business process-engineering, his proven business acumen and his in-depth knowledge of our Company and its operations and, now, his position as President and Chief Executive Officer of our Company.

With regard to Dr. Mudge, his expertise across multiple facets of the transportation industry, and his leadership in transportation technology, transportation finance, business, government policy, research, and experience growing businesses.

With regard to Mr. Owens, his extensive experience in international business, his management expertise across a broad range of industries and his distinguished political background.

With regard to Ms. Reichelderfer, her expertise in growing technological businesses and extensive experience in operations, innovation, and new product development as well as her significant international business experience.

With regard to Mr. Romeo, his expertise in financing acquisitions for several global industrial manufacturers, as well as his extensive experience in efficiently adapting company operations to changing market conditions and government regulations.

With regard to Mr. Wright, his extensive entrepreneurial, operational and financial experience, as well as his distinguished background in the public sector.

In addition, the Nominating and Governance Committee actively seeks directors who provide our Board with a diversity of perspectives and backgrounds.

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Name	Age	Year First Became Director	Year Present Term Expires	Principal Occupation or Employment for Last Five Years(1)
Class I Director Nominee:				
William F. Owens	60	N/A	N/A	Mr. Owens serves on the Board of Directors of Bill Barrett Corporation, an independent oil and gas company (NYSE: BBG); Cloud Peak Energy, Inc., a sub-bituminous steam coal producer (NYSE: CLD); and Key Capital Corporation, an oil well services company (NYSE: KEG), positions he has held since May 2010, January 2010, and January 2007, respectively. Since 2007, he has served on the Board of Directors of Far Eastern Shipping Company Plc., a shipping and railroad company listed on the Moscow exchange (RTS: FESH). Mr. Owens currently serves as Managing Partner of Front Range Resources, a land and water development firm, and as Senior Advisor for PCL Construction Enterprises, Inc., an industrial and civil infrastructure construction company. Mr. Owens is also a Senior Fellow at the University of Denver s Institute for Public Policy Studies. Mr. Owens served as Governor of Colorado from 1999 to 2007. Prior to that he served as Treasurer of Colorado (1995-1999) and as a member of the Colorado Senate (1989-1995) and House of Representatives (1983-1989).
Class I Directors:				
James E. Goodwin	66	2005	2012	Mr. Goodwin has served as Chairman of our Board of Directors since April 2009. Additionally, since September 2008, when Mr. Goodwin s ten-month service as our interim President and Chief Executive Officer ended, Mr. Goodwin resumed his independent consulting business. Prior to his service as our interim President and Chief Executive Officer, Mr. Goodwin was an independent business consultant from October 2001 to December 2007. From July 1999 to October 2001, Mr. Goodwin served as Chairman and Chief Executive Officer of United Airlines, a worldwide airline operator (NASDAQ: UAUA). Mr. Goodwin also serves as a member of the Board of Directors of AAR Corp., a manufacturer of products for the aviation/aerospace industry (NYSE: AIR); John Bean Technologies Corporation, a manufacturer of industrial equipment for the food processing and air transportation industries (NYSE: JBT); and First Chicago Bank & Trust, serving in such positions since April 2002, July 2008, and May 2002, respectively.

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Name	Age	Year First Became Director	Year Present Term Expires	Principal Occupation or Employment for Last Five Years(1)
Joseph R. Wright, Jr.	72	2008	2012	Mr. Wright currently serves as Senior Advisor to Providence Equity Partners, a private equity firm focusing on media, entertainment, communications and information investments; Chart Capital Partners, a private equity firm investing in government sponsored research companies; and the Comvest Group, a firm providing debt and equity solutions to lower middle-market companies. Mr. Wright is also currently Chairman of MTN Satellite Communications, a global communications service provider. He has been a member of the Board of Directors of the Cowen Group, Inc., a research, trading and investment banking company (NASDAQ: COWN), since November 2009, and Vice-Chairman of the Board of Terremark Worldwide Inc., a global provider of utility-enabled managed IT infrastructure solutions (NASDAQ: TMRK), since 2000. Mr. Wright formerly served as Vice Chairman (from May 2008 to October 2009) and Chief Executive Officer (from January 1, 2009 to December 31, 2009), and served as a director (from September 2, 2004 to December 31, 2010) of Scientific Games Corporation, a supplier of technology-based products, systems and services to the gaming industry (NASDAQ: SGMS). From 2006 to May 2008, he was Chairman of the Board of Intelsat Ltd., a leading global provider of fixed satellite services. Prior to that, he was Chief Executive Officer of PanAmSat, a publicly-listed satellite-based services business, which Intelsat acquired in 2006. He was also Chairman of GRC International; Co-Chairman of Baker & Taylor Holdings; Executive Vice President, Vice Chairman and Director of W.R. Grace & Company; Chairman of Grace Energy Company; and President of Grace Environmental Company. Under President Reagan, Mr. Wright served in the U.S. Government as Deputy Director, then Director, of the Federal Office of Management and Budget in the Executive Office of the President and a member of the Cabinet, and earlier as Deputy Secretary of Commerce. President Reagan awarded Mr. Wright the Distinguished Citizens Award. Mr. Wright also served and continues to serve on other Government councils and committees.

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Name	Age	Year First Became Director	Year Present Term Expires	Principal Occupation or Employment for Last Five Years(1)
Class II Director Nominee:				
Charles R. Campbell	71	1998	2011	Mr. Campbell is a retired consultant previously working for The Everest Group, a management consulting firm. He was a partner in The Everest Group from 1997 to 2004. Prior to joining The Everest Group, Mr. Campbell was Senior Vice President and Chief Financial and Administrative Officer of our Company from 1985 to 1995.
Class II Directors:				
Richard R. Mudge	65	2010	2013	Dr. Mudge serves as the Vice President of the U.S. Infrastructure Division of Delcan Corporation, a privately-held engineering and consulting company (since 2002). Dr. Mudge has served on the Board of Directors of Delcan s U.S. subsidiary since 2005. Dr. Mudge previously served as President of Compass Services, the transportation subsidiary of U.S. Wireless Corporation, from 2000 to 2002, and as Managing Director of Transportation for Hagler Bailly, a world-wide provider of management consulting services to the energy and network industries (NASDAQ: HBIX) from 1998 to 2000. In 1986, Dr. Mudge co-founded Apogee Research Inc., an infrastructure consulting firm, and served as its President until 1995 and then as its Chairman of the Board from 1995 until 1997, when Apogee merged with Hagler Bailly. Dr. Mudge also worked for the Congressional Budget Office from 1975 to 1986 where he became Chief of the Public Investment Unit, and for the Rand Corporation where he served as Director of Economic Development Studies from 1972 to 1975.

Name	Age	Year First Became Director	Year Present Term Expires	Principal Occupation or Employment for Last Five Years(1)
Dominic A. Romeo	51	2010	2013	Mr. Romeo retired in February 2011 as Vice President and Chief Financial Officer of IDEX Corporation, a leading global manufacturer of pump products, dispensing equipment, and other engineered products (NYSE: IEX), a position he had held since 2004. Prior to joining IDEX, Mr. Romeo served in several financial leadership positions at Honeywell International, Inc., a diversified technology and manufacturing company that services customers globally (NYSE: HON), including Vice President and Chief Financial Officer of Honeywell Aerospace from 2001 to 2004; Vice President and Chief Financial Officer of Honeywell International s Engine Systems and Services divisions from 1999 to 2001; and various other senior finance positions from 1994 to 1999. Mr. Romeo also served as Vice President of Finance for AAR Trading, an aircraft products and services provider from 1992 to 1994, and performed multiple financial roles in audit and financial planning for GE Aircraft Engines, a subdivision of the General Electric Company (NYSE: GE), from 1987 to 1992.
Class III Director Nominees:				
Paul W. Jones	62	1998	2011	Mr. Jones is Chairman and Chief Executive Officer of A.O. Smith Corporation, a manufacturer of water heating systems and electric motors (NYSE: AOS), serving as such since December 2005. From January 2004 until December 2005, Mr. Jones was President and Chief Operating Officer of A.O. Smith Corporation. Mr. Jones has served on the Board of Directors of A.O. Smith Corporation since December 2004. Mr. Jones serves as a director of Bucyrus International, Inc., a manufacturer of mining and construction machinery (NASDAQ: BUCY), which directorship began in July 2006. Mr. Jones also serves as a member of the Board of Directors of the United States Chamber of Commerce (since March 2008) and the National Association of Manufacturers (since October 2007), and on the Board of Trustees of Manufacturers Alliance/MAPI (since March 2006), and as a member of the Business Roundtable (since January 2006).
Dennis J. Martin	60	2008	2011	Mr. Martin serves as our Company s President and Chief Executive Officer, and has served as such since October 30, 2010. Prior to becoming our President and Chief Executive Officer, Mr. Martin was an independent business consultant since August 2005. From May 2001 to August 2005, Mr. Martin was the Chairman, President and Chief Executive Officer of General Binding Corporation, a manufacturer and marketer of binding and laminating office equipment. Mr. Martin also serves as a director of HNI Corporation, a provider of office furniture and hearths

(NYSE: HNI), and of Coleman Cable, Inc., a manufacturer and innovator of electrical and electronic wire and cable products (NASDAQ: CCIX), serving in such capacities since July 2000 and February 2008, respectively. Mr. Martin also served on the Board of Directors of A.O. Smith Corporation, a manufacturer of water heating systems and electric motors (NYSE: AOS), from January 2004 until December 2005.

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Name	Age	Year First Became Director	Year Present Term Expires	Principal Occupation or Employment for Last Five Years(1)
Brenda L. Reichelderfer	52	2006	2011	Ms. Reichelderfer is Senior Vice President and Managing Director of TriVista Business Group, a boutique management consulting and advisory firm, a position she has held since June 2008. Since April of 2009, she has served on the Board of Wencor Group LLC, an aerospace distribution business held by a private equity firm. Ms. Reichelderfer also serves as a member of the Technology Transfer Advisory Board of The Missile Defense Agency, a division of the United States Department of Defense, and has served as such since November 2008. Until May 2008, Ms. Reichelderfer was Senior Vice President, Group President (from December 2002) and Corporate Director of Engineering and Chief Technology Officer (from October 2005) of ITT Corporation, a global engineering and manufacturing company (NYSE: ITT).

(1) The data contained in this table is based upon information furnished to our Company by the individuals named above.

INFORMATION CONCERNING THE BOARD OF DIRECTORS

Independence of Members of the Board of Directors

The Board of Directors has determined that all of its directors and all of the Board-recommended nominees for director, other than Mr. Martin, qualify as independent. In making this determination, the Board of Directors considered the rules of the New York Stock Exchange and the Securities and Exchange Commission, and reviewed information provided by the directors and nominees in questionnaires and other certifications concerning the relationships that we may have with each director or nominee (including each director s immediate family members and other associates), including any charitable contributions that we may have made in the past and/or continue to make to organizations with which such director or nominee is affiliated.

Board Leadership Structure and Role in Risk Oversight

We separate the roles of Chief Executive Officer and Chairman of the Board. Separating these positions allows our Chief Executive Officer to focus on our day-to-day leadership and performance of our Company, while allowing the Chairman of the Board to lead the Board in its fundamental role of providing advice to and independent oversight of management. Our Board believes that having separate positions, with an independent outside director serving as Chairman, is the appropriate leadership structure for our Company at this time and demonstrates our commitment to good corporate governance.

Our Board of Directors has responsibility for the oversight of risk management. Our Board of Directors, either as a whole or through its Committees, regularly discusses with management our major risk exposures, their potential impact on our Company, and the steps we take to monitor and control such exposures.

While our Board is ultimately responsible for risk oversight at our Company, our Board Committees assist the Board in fulfilling its oversight responsibilities in certain areas of risk. In particular, the Audit Committee focuses on the management of financial and accounting risk exposures. The Nominating and Governance Committee focuses on the management of risks associated with Board organization, membership and structure, and the organizational and governance structure of our Company. Finally, the Compensation and Benefits Committee assists our Board in fulfilling its oversight responsibilities with respect to the management of risks arising from our compensation policies and programs.

Committees of the Board of Directors

Pursuant to our By-Laws, we have established standing Audit, Nominating and Governance, Compensation and Benefits and Executive Committees. In addition, in 2009 we established a temporary Finance Committee which was dissolved effective December 2, 2010. The Finance Committee had principal oversight responsibility with

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respect to our Company s material investment and finance matters including capital investment and funding determinations and the repositioning and/or restructuring of the Company s business lines and assets. The Finance Committee s responsibilities returned to the full Board of Directors upon its dissolution.

Descriptions of our standing committees follow:

Audit Committee The Audit Committee of the Board of Directors is responsible for monitoring:

- the integrity of our financial statements;
- the qualifications and independence of our independent registered public accounting firm;
- the performance of our internal audit function and independent registered public accounting firm; and
- our compliance with legal and regulatory requirements, including our Company Policy for Business Conduct for all employees and Code of Ethics for the Chief Executive Officer and senior financial officers.

In fulfilling its role, the Audit Committee reviews the design and operation of internal control processes and the manner in which we control our major financial risk exposures. The Audit Committee has direct and regular access to our financial executives, including the Vice President of Internal Audit and the Senior Vice President and Chief Financial Officer. Additionally, the Audit Committee has direct and regular access to the independent registered public accounting firm. The Audit Committee has the sole authority to appoint or replace our independent registered public accounting firm, and is directly responsible for overseeing the work of, and determining the appropriate compensation for, our independent registered public accounting firm. In addition, the Audit Committee considers and approves the performance of non-audit services by our independent registered public accounting firm, taking into consideration the effect that the performance of non-audit services may have upon the independence of the independent registered public accounting firm.

The Board of Directors has determined that all of the members of the Audit Committee are independent as defined under the applicable New York Stock Exchange and Securities and Exchange Commission rules. The members of the Audit Committee are Charles R. Campbell (Chairman), Richard R. Mudge and Dominic A. Romeo. Robert M. Gerrity and Robert S. Hamada were members of the Audit Committee until April 27, 2010, when their terms as directors expired. The Board of Directors has determined that Mr. Campbell qualifies as an audit committee financial expert as defined by the Securities and Exchange Commission. None of the Audit Committee members serves on more than three public companies audit committees (including our Company).

The Board of Directors has adopted a Charter for the Audit Committee to comply with the requirements of the New York Stock Exchange and the Sarbanes-Oxley Act of 2002, a copy of which is available on our website at http://www.federalsignal.com.

Nominating and Governance Committee The Nominating and Governance Committee is responsible for recommending guidelines to the Board of Directors for corporate governance, including the structure and function of our Board of Directors, its Committees and the management of our Company, as well as identification and recommendation to the Board of Directors of candidates to be elected as directors. The Nominating and Governance Committee also advises the Board of Directors as to appropriate compensation for serving as a member of our Board of Directors.

Stockholders may recommend individuals for the Nominating and Governance Committee to consider as potential directors by giving written notice to our Corporate Secretary at least 90 days, but not more than 120 days, prior to the first anniversary of the preceding year s Annual Meeting, along with the specific information required by our By-Laws including, but not limited to, the name and address of the nominee; the number of shares of our common stock beneficially owned by the stockholder (including associated persons) nominating such nominee; and a consent by the nominee to serve as a director, if elected, that would be required for a nominee under the Securities and Exchange Commission rules. If you would like to receive a copy of the provisions of our By-Laws setting forth all of these requirements, you should write to our executive offices, Attn: Corporate Secretary. The Nominating and Governance Committee has not adopted any specific procedures for considering the recommendation of director nominees by stockholders, but will consider stockholder nominees on the same basis as other nominees.

The Nominating and Governance Committee has set no specific minimum qualification for a nominee to the Board of Directors although under our revised Corporate Governance Guidelines, no person may stand for election as director: (i) after attaining age 72 without a waiver from the Board; (ii) if he or she serves on more than six boards of publicly traded companies; or (iii) if he or she is the chief executive officer of a publicly traded company, he or she may not serve on more than three publicly traded company boards.

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The Company s Corporate Governance Guidelines include a director resignation policy that requires each director nominee who is standing for re-election, prior to each election of directors at an annual meeting, to submit to the Board an irrevocable letter of resignation from the Board which will become effective if that director does not receive the necessary votes and the Board determines to accept such resignation. In such circumstances, the Board s Nominating and Governance Committee will evaluate and make a recommendation to the Board with respect to the submitted resignation. The Board will take action on the recommendation within 180 days following the stockholders meeting at which the election occurred. In such circumstances, we will publicly disclose the Board s decision including, if applicable, the reasons for rejecting a resignation.

The Board of Directors has determined that all of the members of our Nominating and Governance Committee are independent as defined under the applicable New York Stock Exchange rules. The members of the Nominating and Governance Committee are Paul W. Jones (Chairman), Richard R. Mudge, James E. Goodwin and Brenda L. Reichelderfer. Robert S. Hamada and Robert M. Gerrity were members of our Nominating and Governance Committee until April 27, 2010, when their terms as directors expired. Mr. Hamada also chaired the Nominating and Corporate Governance Committee until his term as director expired.

The Board of Directors has adopted a Charter for the Nominating and Governance Committee to comply with the requirements of the New York Stock Exchange and the Sarbanes-Oxley Act of 2002, a copy of which is available on our website at http://www.federalsignal.com.

Compensation and Benefits Committee The Compensation and Benefits Committee is responsible for the establishment and oversight of our Company s compensation and benefits philosophy. With respect to our executive officers, the Compensation and Benefits Committee has the authority to establish the objectives of compensation, to determine the components of compensation and to establish and evaluate performance goals. The functions of the Compensation and Benefits Committee are further described in this proxy statement under the heading *Compensation Discussion and Analysis* beginning at page 19. The Board of Directors has determined that all of the members of our Compensation and Benefits Committee are independent as defined under the applicable New York Stock Exchange rules. The members of the Compensation and Benefits Committee are Brenda L. Reichelderfer (Chairman), Paul W. Jones and Joseph R. Wright. John McCartney was a member of our Compensation and Benefits Committee until April 27, 2010, when his term as a director expired. Mr. McCartney also chaired the Compensation and Benefits Committee until his term as a director expired.

The Board of Directors has adopted a Charter for the Compensation and Benefits Committee to comply with the requirements of the New York Stock Exchange and the Sarbanes-Oxley Act of 2002, a copy of which is available on our website at http://www.federalsignal.com.

Executive Committee The Executive Committee generally exercises the power and authority of the Board in the intervals between full Board meetings. The members of the Executive Committee are James E. Goodwin (Chairman), Charles R. Campbell, Paul W. Jones, Dennis J. Martin and Brenda L. Reichelderfer. Robert S. Hamada and John McCartney were members of this Committee until April 27, 2010, when their terms as directors expired. William H. Osborne was a member of this Committee until his resignation effective October 29, 2010.

Meetings of the Board of Directors and Committees

During 2010, our Board of Directors held a total of 9 meetings. The Compensation and Benefits Committee held 6 meetings; the Nominating and Governance Committee held 5 meetings; the Audit Committee held 6 meetings; the Executive Committee held no meetings; and the Finance Committee held 7 meetings. Our Corporate Governance Guidelines require each director to regularly attend meetings of the Board of Directors and all Board Committees upon which the director serves. All directors attended at least 75% of meetings of the Board and Committees of which he or she was a member.

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Director Compensation in the Last Fiscal Year

The following table sets forth information concerning compensation earned by our non-employee directors in fiscal year 2010. Mr. Martin, our President and Chief Executive Officer, has served on our Board of Directors since 2008. Since becoming our President and Chief Executive Officer on October 30, 2010, Mr. Martin has not received any additional compensation for serving on our Board or any Committees. Mr. Martin s compensation as a director for January 1, 2010 through October 29, 2010 is included in the table immediately below, while his compensation as an executive officer from October 30, 2010 through December 31, 2010 is set forth in the Summary Compensation Table on page 34. Until his resignation as our President and Chief Executive Officer effective October 29, 2010, Mr. Osborne also served on our Board of Directors, although he received no additional compensation for serving on our Board or any Committees. Mr. Osborne s compensation as an executive officer of our Company in 2010 is set forth in the Summary Compensation Table on page 34.

Non-Employee Director Compensation in Fiscal Year 2010

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)	Option Awards ($) (3)	Total ($)
Charles R. Campbell	$ 81,521	$ 60,000	$ 0	$ 141,521
Robert M. Gerrity(4)	$ 23,982	$ 0	$ 0	$ 23,982
James E. Goodwin(5)	$ 121,263	$ 75,000	$ 0	$ 196,263
Robert S. Hamada(4)	$ 27,171	$ 0	$ 0	$ 27,171
Paul W. Jones	$ 67,604	$ 60,000	$ 0	$ 127,604
Dennis J. Martin(6)	$ 67,850	$ 60,000	$ 0	$ 127,850
John McCartney(4)	$ 20,559	$ 0	$ 0	$ 20,559
Richard R. Mudge(7)	$ 50,610	$ 60,000	$ 17,508	$ 128,118
Brenda L. Reichelderfer	$ 75,086	$ 60,000	$ 0	$ 135,086
Dominic A. Romeo(7)	$ 50,097	$ 60,000	$ 17,508	$ 127,605
Joseph R. Wright	$ 64,533	$ 60,000	$ 0	$ 124,533

(1) Includes the following share amounts which were awarded in lieu of cash fees: Mr. Hamada, 1,117 shares; Mr. Martin, 5,315 shares; Dr. Mudge, 4,230 shares, Ms. Reichelderfer, 11,588 shares; Mr. Romeo, 4,193 shares; and Mr. Wright, 9,850 shares. The number of shares awarded in lieu of cash fees was determined using the

closing share price of our common stock on the date of grant.

(2) Each non-employee director is annually issued a stock award which is determined by dividing $60,000 ($75,000 in the case of the Chairman) by the closing price of the Company s common stock on the date of grant. Amounts stated reflect the aggregate grant date fair value for the fiscal year ended December 31, 2010 computed in accordance with FASB ASC Topic 718. The following awards were granted to the non-employee directors on April 27, 2010 at a closing stock price of $9.58 per share: 7,829 shares of common stock to Mr. Goodwin as Chairman; and 6,263 shares of common stock to each of Messrs. Campbell, Jones, Martin, Mudge, Romeo and Wright, and Ms. Reichelderfer. As of December 31, 2010, each non-employee director had the following aggregate number of shares: Mr. Goodwin, 56,847 shares; Mr. Campbell, 55,704 shares; Mr. Gerrity, 25,926 shares; Mr. Hamada, 37,174 shares; Mr. Jones, 39,919 shares; Mr. McCartney, 32,863 shares; Dr. Mudge, 11,493 shares; Ms. Reichelderfer, 52,651 shares; Mr. Romeo, 10,456 shares; and Mr. Wright, 37,379 shares.

(3) Amounts stated reflect the aggregate grant date fair value for the fiscal year ended December 31, 2010 computed in accordance with FASB ASC Topic 718. In connection with appointment to our Board, each of Messrs. Mudge and Romeo received a stock option grant for 5,000 shares of our common stock on April 27, 2010 at an exercise price of $9.58 per share, the closing price of our common stock on the date of grant, all of which vest on the third anniversary of the date of grant. No option awards were granted to any of the other directors during the fiscal year ended December 31, 2010. As of December 31, 2010, each non-employee director had options for the following number of shares outstanding: Mr. Goodwin, 62,210; Mr. Campbell, 26,659; Mr. Gerrity, 10,000; Mr. Hamada, 10,000; Mr. Jones, 26,659; Mr. McCartney, 0; Dr. Mudge, 5,000; Ms. Reichelderfer, 9,226; Mr. Romeo, 5,000; and Mr. Wright, 5,000.

(4) Messrs. Gerrity, Hamada and McCartney served as members of the Board until April 27, 2010, when their terms as directors expired. The annual retainers paid to each of Messrs. Gerrity, Hamada and McCartney were prorated through April 27, 2010.

(5) Includes an annual retainer amount of $86,769, committee membership fees of $16,994, meeting fees of $17,500, and, although Mr. Goodwin was entitled to receive additional compensation on a per diem basis for time spent on Board matters, he elected not to receive any per diem fees for the additional time spent on Company matters during 2010.

(6) Mr. Martin was appointed President and Chief Executive Officer of the Company on October 30, 2010 and ceased receiving compensation as a non-employee director on that date. The equity award received by Mr. Martin on October 30, 2010 in connection with his appointment as an executive officer of our Company has been excluded from this table. For further details regarding these awards, see page 36 of this proxy statement in the section titled *Executive Compensation in the Last Fiscal Year Grants of Plan-Based Awards.*

(7) The annual retainers paid to each of Messrs. Mudge and Romeo were prorated based on their respective dates of election to the Board.

Additional Information about Director Compensation

The Nominating and Governance Committee of our Board of Directors advises our Board on the annual compensation for our non-employee directors. In order to set competitive compensation for our non-employee directors, our Nominating and Governance Committee may consult third party advisors, generally available source material, proxy statements and data from peer companies.

Our non-employee directors receive both cash and equity compensation as detailed below. Our Chairman, based on his key role and time commitment, receives additional compensation in cash on a per diem basis for other time spent on Board matters.

In February 2011, the director stock ownership program was revised to increase the required common stock holdings of the non-employee directors from a value of three times the annual retainer paid to non-employee directors to a value of five times the annual retainer. Until such time as this target ownership is met, each non-employee director is required to receive at least 50% of the annual director compensation fees earned in any given year in shares of our common stock. Additionally, the policy prohibits non-employee directors from selling shares of our common stock until the holding requirement is met, although tendering shares to pay taxes upon the vesting of shares of restricted stock or for the exercise price upon the exercise of stock options is allowed. Stock ownership value is calculated annually using the average stock price of our common stock for the prior six month period; provided, however, that once a determination has been made that the target ownership has been achieved, a decrease in the value of our common stock will not impact that determination. Finally, the new policy provides that after achieving the ownership target, each director is required to hold 50% of the net shares received from exercised options or vested shares of common stock (over and above the target ownership level) for at least two years from the date of exercise or vesting.

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Cash Compensation

The following table sets forth our Company s cash compensation fees payable to our directors during 2010. Directors are also reimbursed for their out-of-pocket expenses relating to attendance at meetings.

Cash Compensation of Our Non-Employee Directors
January 1, 2010 - December 31, 2010

	January 1, 2010 - February 17, 2010		February 18, 2010 - December 31, 2010			
	Annual Retainer	Per Diem Fee	Annual Retainer	Per Diem Fee	Board Meeting Attended in Person	Board Meeting Attended by Telephone
Chairman of the Board	$ 78,750	$ 2,250(1)	$ 87,500	$ 2,500(1)	$ 3,000	$ 500
Non-employee director (excluding the Chairman)	$ 45,000		$ 50,000		$ 1,500	$ 500
Committees						
Audit						
Chair	$ 13,500		$ 15,000			
Member	$ 8,100		$ 9,000			
Compensation and Benefits						
Chair	$ 9,000		$ 10,000			
Member	$ 5,400		$ 6,000			
Nominating and Governance						
Chair	$ 9,000		$ 10,000			
Member	$ 5,400		$ 6,000			
Finance(2)						
Chair	$ 9,000		$ 10,000			
Member	$ 5,400		$ 6,000			
Executive	$ 1,800		$ 2,000			

(1) The Chairman of the Board is also eligible to receive a per diem fee for other time spent on Company business (up to a maximum of $150,000 per year).

(2) The Finance Committee was dissolved effective December 2, 2010. The Finance Committee s responsibilities returned to the full Board of Directors upon its dissolution.

Equity Compensation

Upon appointment or election to our Board, each non-employee director receives an initial stock option grant to purchase 5,000 shares of our common stock, all of which vest on the third anniversary of the date of grant. Messrs. Mudge and Romeo, elected to our Board on April 27, 2010, each received an initial stock option grant on April 27, 2010 at an exercise price of $9.58 per share, the closing stock price of our common stock on the date of grant. The table below sets forth our Company s equity award compensation issued to our directors during 2010. These awards are made on the date of our Annual Meeting of Stockholders.

Annual Equity Awards of our Non-Employee Directors
January 1, 2010 - December 31, 2010

	Common Stock Award
Chairman of the Board	$ 75,000
Non-employee director (excluding the Chairman)	$ 60,000

The common stock awards for service as a director were made on the date of our 2010 Annual Meeting of Stockholders, April 27, 2010. Pursuant to our Director Compensation Policy, the number of shares of the common stock awarded was determined by dividing the amount of the award by the closing market price of our common stock on the date of grant, which was $9.58 per share. Accordingly, for 2010, each non-employee director (excluding the Chairman) on the date of our Annual Meeting of Stockholders received a common stock award of 6,263 shares and the Chairman received a common stock award of 7,829 shares.

CORPORATE GOVERNANCE, BUSINESS CONDUCT, AND CODE OF ETHICS; STOCKHOLDER COMMUNICATIONS WITH DIRECTORS

We are committed to good corporate governance. We believe that the foundation of our corporate governance is the independence of our directors, the separation of the roles of our Chief Executive Officer and Chairman of the Board, responsible corporate citizenship, and a commitment to the interests of our stockholders. In accordance with the requirements of the New York Stock Exchange and the Sarbanes-Oxley Act of 2002, our Board of Directors has adopted Corporate Governance Guidelines as well as charters for the Audit Committee, the Nominating and Governance Committee and the Compensation and Benefits Committee. These guidelines and charters, as well as our Company Policy for Business Conduct and Policy for Business Conduct-Directors (together, the Business Conduct Policies) and a Code of Ethics, which is applicable to our Chief Executive Officer and our senior financial officers, are available for review on our website at http://www.federalsignal.com.

The non-employee directors of the Board meet in executive session without management, as appropriate. The Chairman of the Board of Directors presides over executive sessions. Directors may be contacted as a group, by Committee, or individually, and the presiding director or the non-employee directors as a group may be contacted on an anonymous and/or confidential basis by addressing a letter to Federal Signal Corporation, 1415 West 22nd Street, Suite 1100, Oak Brook, IL 60523, Attn: Corporate Secretary. All such letters will be forwarded to the directors. We encourage our directors to attend the 2011 Annual Meeting of Stockholders. Excluding two of our directors who were not standing for re-election in 2010, all of our directors attended the 2010 Annual Meeting of Stockholders.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

There were no compensation committee interlocks or insider participation on the part of the members of our Compensation and Benefits Committee. The members and functions of our Compensation and Benefits Committee are set forth above under Committees of the Board of Directors.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

During the year ended December 31, 2010, it was determined that none of our directors, Board-proposed nominees for director, executive officers, stockholders owning more than 5% of our common stock, or immediate family members of any such persons engaged in a transaction with us in which such director, nominee for director, executive officer, stockholder owning more than 5% of our common stock, or immediate family member of such persons had a direct or indirect material interest that required disclosure under applicable Securities and Exchange Commission rules.

We maintain various policies and procedures relating to the review, approval or ratification of transactions in which our Company is a participant and in which any of our directors, executive officers, 5% stockholders (if any) or their family members have a direct or indirect material interest. Our Business Conduct Policies, which are available on our website at http://www.federalsignal.com, prohibit our directors and employees, including our executive officers, and in some cases their family members, from engaging in certain activities without prior written consent. These activities typically relate to situations where a director, executive officer or employee, and in some cases an immediate family member, may have significant financial or business interests in another company competing with or doing business with our Company, or who stands to benefit in some way from such a relationship or activity. Specifically, our Business Conduct Policies include certain prohibitions against the following: receiving or giving gifts or prizes above a nominal value from or to customers or suppliers; working for a customer or supplier or engaging in outside profit-making activities in any area of business in which our Company operates; representing any outside commercial interest during normal business hours or when traveling on Company business; lending or borrowing money from individuals affiliated with an entity with whom the Company conducts business; owning any part of any customer s or supplier s business (excluding routine investments in publicly traded companies); using Company property, information or positions for improper personal gain or benefit; and engaging in Company business with any entity in which a family member has an executive position or a significant financial interest unless approved in advance. Since all types of prohibited transactions cannot be listed, we encourage our employees to seek advice before proceeding if there is any doubt regarding the appropriateness of an arrangement under our Business Conduct Policies.

Pursuant to our Business Conduct Policies and the Audit Committee Charter, the Chairman, Chief Financial Officer and General Counsel implement our Business Conduct Policies, and the Audit Committee reviews, approves, ratifies and makes recommendations to our Board of Directors regarding related person transactions.

Additionally, each year we require our directors, nominees for director and executive officers to complete a questionnaire which identifies, among other things, any transactions or potential transactions with our Company in which a director, an executive officer, or one of their family members or associated entities has an interest. We also require that directors and executive officers notify our Corporate Secretary as soon as possible of any changes during the course of the year to the information provided in the annual questionnaire.

We believe that the foregoing policies and procedures collectively ensure that all related person transactions requiring disclosure under applicable Securities and Exchange Commission rules are appropriately reviewed.

COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

Presented below is a summary of our 2010 business highlights and recent 2011 developments, which provides context for our 2010 pay actions and changes thus far to our 2011 executive compensation program.

2010 Highlights and Recent 2011 Developments

The continuing difficult economic environment in 2010, including the persistent weakness in the global public spending sector, was challenging for our Company as well as many other companies. However, we took significant actions during the 2010 year intended to grow our industrial businesses, integrate our technology group businesses and generate cash flow from continuing operations.

In 2010, our Company continued its strategy of investing in growth opportunities in the technology segment. For example, in March 2010, our Company acquired VESystems, LLC for approximately $33 million, which offers complete system operations in electronic toll collection, and Sirit Inc. for approximately $73.4 million, which specializes in radio frequency identification. The addition of VESystems and Sirit further strengthens our presence in the Intelligent Transportation Systems (ITS) market.

In the second quarter of 2010, the Company formed Federal Signal Technologies Group (FSTech), a new segment to be focused on ITS solutions. FSTech is comprised of recently acquired Diamond Consulting, Sirit and VESystems as well as the Company s PIPS Technology and Federal APD units.

In 2010, we continued an initiative to reduce corporate costs by consolidating a number of the Company s manufacturing and distribution operations into the University Park, IL plant. This initiative included workforce reductions into the first quarter of 2010, as well as the incurrence of costs associated with closing facilities and relocating operations and personnel.

In May 2010, we closed on a public offering of 12,075,000 shares of our common stock, netting $71,000,000 in proceeds that were used to pay down our debt.

In October 2010, the Company, in striving for continued growth and development, made a change in leadership by hiring Dennis J. Martin as President and Chief Executive Officer. Mr. Martin has served on our Board of Directors since 2008 and will continue to serve on our Board along with serving as our President and Chief Executive Officer. Mr. Martin entered into a standard Tier I Executive Change-in-Control Severance Agreement. Mr. Martin has no other employment agreements.

In December 2010, after two successful verdicts in June and July, 2010 involving a total of 18 plaintiffs, the Company reached a settlement with counsel to 1,125 firefighters in connection with hearing loss claims. Under the settlement agreement, the Company will make a maximum payment of $3,800,000, reduced by the percentage of the 1,125 firefighters who do not participate in the settlement. The settlement requires the participation of not less than 93% of designated firefighters. The Company expects the settlement to substantially reduce its litigation expenses going forward.

In January 2011, we consolidated a number of corporate functions, which resulted in the elimination of positions and reduced corporate overhead.

Executive Compensation Program in 2010

A number of actions were taken in 2010 with respect to our compensation and benefits programs, including the following:

Management, including named executive officers, received modest base salary increases (generally between 2% and 3%).

Our Company reinstituted the matching contribution on the 401(k) Plan and the Savings Restoration Plan effective January 1, 2010.

The Compensation and Benefits Committee engaged Towers Watson & Co. as its compensation consultant to assist in the establishment of executive compensation levels for fiscal year 2010.

Our stockholders approved a restatement of our 2005 Executive Incentive Plan which: (i) increased the number of shares available for issuance under the plan; (ii) extended the duration of the plan; (iii) eliminated net share counting for stock settlement of stock appreciation rights, for the stock payment of exercise price of an option and for shares withheld by or otherwise remitted to us to satisfy tax withholding liability, leaving only shares subject to awards that expire, are cancelled or forfeited or are settled in cash to be available for re-issuance under the plan; (iv) required that full-value awards (meaning awards other the options, stock appreciation rights and any other award where the benefit is not limited to the increase in value of the shares of common stock subject to the award over fair market value of the shares at the time of the award) be counted against the plan as the equivalent of 1.51 shares; and (v) removed limitations on restricted stock awards, performance awards and certain other stock-based awards that can be granted per individual per year under the plan. In connection with this modification, we also committed to an average burn rate for 2010 through 2012 of no more than 2.73%. This burn rate is calculated as (i) the total number of equity awards granted in shares in a year divided by (ii) the number of common shares outstanding at the end of that year.

Our Company delayed its annual equity awards to eligible employees, including the named executive officers, from February 2010 until April 2010, in order to complete a comprehensive market analysis of our executive officer compensation practices and explore alternative long-term incentive award programs.

In 2010, we modified the performance goals and behaviors weightings of the individual objectives component of the Short-Term Incentive Bonus Plan, which together account for 30% of the total bonus opportunity for our executive officers. Specifically, the performance goals weighting was decreased from 70% to 60%, and the behaviors weighting was increased from 30% to 40%. This change was designed to encourage behaviors that support our Company goals and increase the individual objectives portion of the incentive bonus specific to each employee s performance. In addition, the number of competencies was reduced from fourteen to seven for our named executive officers.

On March 3, 2010, the Board modified, prospectively, the Change-in-Control Policy and the form of Executive Change-in-Control Severance Agreement to remove Board discretion on designating transactions as a change-in-control.

Based on our Company s disappointing 2009 stock performance and consistent with our objective to generally align management compensation with stockholder returns, the Compensation and Benefits Committee exercised its discretion in March 2010 to reduce the Short-Term Incentive Bonus Plan payouts for our executive officers for 2009 performance by 30%.

Executive Compensation Program in 2011

Our Company continues to manage our executive compensation program under difficult market conditions. Beginning in 2011, we have made the following decisions with respect to our executive compensation program:

Management, including named executive officers, received base salary increases of approximately 3% except that one named executive officer received a 6% increase which factored in a market adjustment.

In late 2010 and early 2011, the Compensation and Benefits Committee undertook a comprehensive review of our compensation program for executive officers, including our named executive officers, with the objective of strengthening our pay for performance culture and re-aligning our performance incentives to achieve important strategic, financial and operating objectives. As a result, the Compensation and Benefits Committee has implemented several fundamental changes with respect to annual equity awards to be granted to our executive officers under our long-term incentive program for 2011, including:

The mix of annual long-term equity awards for executive officers has been restructured for 2011 to eliminate non-performance based equity awards, specifically time-based restricted stock awards. Long-term annual equity awards in 2011 will consist of 50% options to purchase shares of our common stock and 50% performance-based restricted stock units. This change emphasizes pay for performance for our executive officers by placing a greater importance on profitable performance. Stock options and performance-based restricted stock units only have value if our share price appreciates.

We have retained a three year vesting period for performance-based restricted stock units. However, we have changed the performance metric in 2011 for these units for our executive officers from relative Total Shareholder Return over a three year period to Earnings Per Share from continuing operations over a one year period. We believe this change is consistent with our turnaround strategy by setting one year goals and focusing on absolute (as opposed to relative) share price appreciation. This change also emphasizes the urgency and importance of 2011 results by putting all performance-based restricted stock units at risk based on 2011 performance.

The Compensation and Benefits Committee plans to evaluate the 2011 annual equity grant program prior to the issuance of the 2012 annual grants.

Consistent with our pay for performance philosophy, and in light of the poor financial results achieved at the Company level, none of our named executive officers will receive bonus payments based on Company financial performance for 2010. In keeping with our goal of rewarding Business Unit achievement, Messrs. Janek and Weber each received a financially-based bonus reflecting the solid performances by the business segments for which they serve as Presidents.

In February 2011, our stock ownership guidelines for our non-employee directors were revised to increase the required common stock holdings of the non-employee directors from a value of three times the annual retainer paid to non-employee directors to a value of five times the annual retainer. Until such time as this target ownership is met, the ability of our non-employee directors to receive director fees in cash is limited as well as their ability to sell shares of our common stock. Finally, the new policy provides that after achieving the ownership target, each director is required to hold 50% of the net shares received from exercised options or vested shares of common stock (over and above the target ownership level) for at least two years from the date of exercise or vesting.

Our executive officers are required to own substantial holdings of our common stock while employed by us. Individual stock ownership targets are based on a multiple of between two and five times the executive s base salary. Until the target ownership is met, our executive officers ability to sell shares of our common stock is limited. Additionally, in February 2011, this policy was revised to require that after achieving the ownership target, each executive officer is required to hold 50% of the net shares received from exercised options or vested shares of common stock (over and above the target ownership level) for at least two years from the date of exercise or vesting.

Compensation Philosophy and Objectives

Our executive compensation and benefits programs are designed to drive and reinforce our business goals and strategies for success in the marketplace and to enable growth, thus motivating management to maximize total stockholder return. As a key component of our executive compensation system, we have adopted a financial performance-based philosophy which includes individual objectives that emphasize entrepreneurship, innovation, teamwork, creativity, and rewards employees who think and act like owners. This program also encourages collaboration and the maximization of long-term stockholder value, which in turn supports the attraction, motivation, and retention of the best global talent. Our executive compensation philosophy can be summarized as follows:

To create alignment between compensation and business performance by rewarding executives for the achievement of strategic, financial and operational goals that successfully drive growth in stockholder value for our Company;

To attract, motivate, and retain highly experienced executives who are vital to our short and long-term success, profitability and growth taking into account our Company s performance and external market factors;

To differentiate executive rewards based on actual performance; and

To provide targeted overall compensation levels that are comparable to competitive market practice.

Role of our Compensation and Benefits Committee

Our Compensation and Benefits Committee establishes and oversees our general compensation and benefits philosophy, and approves compensation and benefits for our executive officers. Specifically, our Compensation and Benefits Committee is charged in its charter with the authority and responsibility to:

Establish the philosophy and set the broad objectives of our executive compensation program to ensure that the compensation program complies with and promotes our goals and objectives;

Determine the various elements of the executive compensation program, including base salary, annual cash incentives, long-term equity incentives, retirement and health and welfare benefits, and perquisites and other personal benefits;

Establish performance goals for the President and Chief Executive Officer and oversee the establishment of performance goals for the other executive officers and for each business unit;

Evaluate annually each executive officer s performance in light of the goals established and associated competencies with respect to the officer for the most recently completed year;

Establish each executive officer s annual compensation level based upon the executive officer s performance, our financial results and relative stockholder return, the value of compensation paid to a comparable executive officer at comparable companies, the awards given to the executive officer in past years and our capacity to fund the compensation;

Review an annual report prepared by the President and Chief Executive Officer on succession planning and related development recommendations for his direct reports; and

Review benefit programs and plans to ensure incentive pay does not encourage unnecessary risk taking.

The President and Chief Executive Officer annually reviews the performance of each executive officer. Recommendations based on these reviews, including those with respect to base salary adjustments, annual incentives and long-term incentives, are presented to the Compensation and Benefits Committee. The Compensation and Benefits Committee can exercise its discretion in modifying any recommended adjustments or awards to these executive officers. The compensation of the President and Chief Executive Officer is determined by the Compensation and Benefits Committee, meeting in executive session without the President and Chief Executive Officer present.

Risk Oversight of the Company Compensation Program

Our Company carefully monitors compensation levels to ensure they reflect an appropriate balance of pay-for-performance within acceptable risk parameters. Based on current and evolving best practices guidance, our Compensation and Benefits Committee conducted a compensation risk assessment of the various elements of our Company s overall compensation program (including incentive compensation programs). In its analysis, the Compensation and Benefits Committee reviewed, with input from management, our Company s compensation programs, including appropriate internal controls to mitigate or reduce risk. Based on its review, the Compensation and Benefits Committee determined that our Company s compensation programs and policies do not create excessive and unnecessary risk taking. Our Company and the Compensation and Benefits Committee will continue to maintain proper policies and procedures to ensure ongoing management and assessment of compensation practices as they relate to risk.

Compensation Consultant

Prior to 2010, the Compensation and Benefits Committee used Watson Wyatt Worldwide as its outside compensation consultant to assist it in its annual review of our Company s executive compensation programs. Similarly, before 2010, Towers Perrin provided human resources consulting and other services to the Company. As a result of the merger of Watson Wyatt and Towers Perrin to form Towers Watson & Co. effective as of January 1, 2010, our providers of executive compensation services and human resources consulting and other services are now combined as one company.

For 2010, Towers Watson & Co. assisted the Compensation and Benefits Committee in its annual review of our Company s executive compensation programs. Towers Watson & Co. reviewed and evaluated the elements of our executive compensation program, including base salaries, target bonus levels and equity ownership, provided proxy advice, attended certain meetings of the Compensation and Benefits Committee and, upon request, provided its views on proposed actions by the Compensation and Benefits Committee. The aggregate fees paid to Towers Watson & Co. for services to the Compensation and Benefits Committee in 2010 totaled $125,700. Towers Watson & Co. also provided human resources consulting and other services to the Company during 2010 at the request of Company management (the Additional Services). The aggregate fees for the Additional Services totaled $136,100 for 2010.

The Additional Services provided by Towers Watson & Co. were not pre-approved by the Compensation and Benefits Committee or the Board of Directors. Management and the Compensation and Benefits Committee believe that Towers Watson & Co. provided objective advice for the following reasons:

The total fees paid to Towers Watson & Co. of $261,800 represented less than .001% of Towers Watson s revenue for its 2010 fiscal year end ($3.2 billion).

There is no overlap in the Towers Watson & Co. team that provides services to the Compensation and Benefits Committee with the Towers Watson & Co. team that provided the Additional Services.

No member of the Towers Watson & Co. team receives additional compensation as a result of the provision of services to the Compensation and Benefits Committee or with respect to the Additional Services.

There is no affiliation with any of the members of the Towers Watson & Co. team with any of the members of our Board of Directors or our named executive officers.

Benchmarks for Executive Compensation

Compensation levels for our executives are compared to the compensation paid to executives at the peer companies specified below. The market for experienced talent is highly competitive. Our objective is to attract and retain the most highly qualified executives to manage our business functions. In doing so, we draw upon a pool of talent that is highly sought after by large and established companies. We draw upon a market that is global in scope.

To that end, in October 2009, Watson Wyatt (now part of Towers Watson & Co.) assisted us in updating our comparator group of companies and in collecting relevant market data from those companies. This update was made, in part, to eliminate the large variances in size among the companies comprising our comparator group. We determined that it was more appropriate to limit the revenue ranges among the companies in the comparator group to those with revenues from 0.5 times to 2.5 times our Company s revenue with a median closer to $1 billion (actual median was $977 million). Additionally, to accommodate our change in business strategy to grow our recent acquisitions, our Company added comparable technology companies to the group.

Accordingly, since October 2009, the following 23 companies have been included in our comparator group:

A.O. Smith Corporation
AMETEK, Inc.
Astec Industries, Inc.
Briggs & Stratton Corporation
Columbus McKinnon Corp.
Cubic Corporation
EnPro Industries, Inc.
ESCO Technologies Inc.
Foster (LB) Co.
Hubbell Incorporated
IDEX Corporation
Intermec Inc.
Powell Industries, Inc.
Robbins & Myers, Inc.
Sauer-Danfoss Inc.
Spartan Motors, Inc.
Standex International Corporation
Teleflex Incorporated
Tennant Company
Thomas & Betts Corporation
Valmont Industries, Inc.
Woodward, Inc.
Zebra Technologies Corporation

We use comparator group data to determine the appropriate mix of fixed and variable compensation and to link the achievement of key strategic and financial performance measures to short and long-term awards. We also use published survey data to supplement the determination of competitive levels of compensation in the marketplace.

Elements of Executive Compensation

Our compensation program consists of five components: (i) base salary; (ii) annual cash incentives; (iii) long-term equity incentives; (iv) retirement and health and welfare benefits; and (v) perquisites and other personal benefits. Our programs balance individual, business unit and Company-wide goals and achievements.

Base Salaries

Base salary levels for our executive officers, including our President and Chief Executive Officer, are based primarily on external market data and on the individual performance of each executive officer during the previous year. Base salaries are targeted to be at the 50th percentile (median) of competitive market data. In 2010, actual base salaries for named executive officers ranged from 82% to 105% of market midpoint targets. In addition to the executive s individual performance, the Compensation and Benefits Committee also considers the following factors in setting base salaries and in recommending annual base salary adjustments: (i) the executive s current base salary relative to the targeted level; (ii) the executive s level of responsibility and performance in the position; (iii) the executive s prior experience and breadth of knowledge; and (iv) market factors.

Annual Cash Incentive Payments

Annual cash incentive payments are paid under the Company s Short-Term Incentive Bonus Plan (STIP). The STIP determines bonuses based upon the achievement of both financial measures and individual objectives. Financial measures are based upon earnings and cash flow at our Company, business group and division levels, depending upon each participant s position within our Company.

Bonus compensation under the STIP links to our Company s annual operating plan, with 50% based on earnings and 20% based on cash flow measures determined in accordance with generally accepted accounting principles. The remaining 30% is based on individual objectives, with 18% based on performance goal ratings and 12% based on behavior ratings as measured by a numeric score received in the annual performance review process. The Compensation and Benefits Committee approves all awards to named executive officers. The Compensation and

Benefits Committee can use its discretion to reduce award amounts to executive officers. The STIP limits the total bonus paid (financial and individual performance portions) to an individual participant to twice his or her target bonus opportunity. Typically, annual cash incentive payments are approved in February and paid in a lump sum in March.

The STIP focuses on financial performance as well as individual objectives. This allows us to reward outstanding individuals with a bonus, including in years where our overall financial performance may be below the Company s operating plan. The Compensation and Benefits Committee believes that rewarding employees upon the successful achievement of individual objectives will increase individual accountability and encourage excellence. The STIP is based upon goals that are easily understood and can be modified each year to reflect our current business plan and market conditions.

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