

FRANKLIN ELECTRIC CO INC
Form DEF 14A
March 20, 2018

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

Filed by a Party other than the Registrant

Check the appropriate box:

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

Franklin Electric Co., Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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FRANKLIN ELECTRIC CO., INC.

9255 Coverdale Road
Fort Wayne, Indiana 46809

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held

May 4, 2018 at 8:00 a.m., Eastern Time

To the Shareholders of
Franklin Electric Co., Inc.

The Annual Meeting of Shareholders of Franklin Electric Co., Inc. (the "Company"), an Indiana corporation, will be held at Franklin Electric Global Headquarters and Engineering Design Center, 9255 Coverdale Road, Fort Wayne, Indiana 46809 on Friday, May 4, 2018, at 8:00 a.m., Eastern Time. The purposes of the meeting are to:

1. Elect Gregg C. Sengstack and David M. Wathen as directors for terms expiring at the 2021 Annual Meeting of Shareholders;
2. Ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the 2018 fiscal year;
3. Approve, on an advisory basis, the executive compensation of the named executive officers as disclosed in the Proxy Statement; and
4. Transact any other business that may properly come before the Annual Meeting of Shareholders or any adjournment or postponement thereof.

Only shareholders of record at the close of business on March 2, 2018 will be entitled to notice of and to vote at the Annual Meeting.

You are urged to vote your proxy whether or not you plan to attend the Annual Meeting of Shareholders. If you do attend, you may choose to vote in person which will revoke any previously executed proxy.

By order of the Board of Directors.

Jonathan M. Grandon
Vice President, Chief Administrative Officer, General Counsel and Secretary

Fort Wayne, Indiana
March 20, 2018



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FRANKLIN ELECTRIC CO., INC.

9255 Coverdale Road, Fort Wayne, Indiana 46809

PROXY STATEMENT

Annual Meeting of Shareholders to be Held on May 4, 2018

GENERAL INFORMATION

This Proxy Statement and the enclosed proxy are furnished to shareholders in connection with the solicitation of proxies by the Board of Directors of Franklin Electric Co., Inc. (the "Company"), 9255 Coverdale Road, Fort Wayne, Indiana 46809 for use at the Annual Meeting of Shareholders to be held on May 4, 2018, or any adjournment or postponement thereof. Shareholders were sent a Notice of the Annual Meeting of Shareholders (the "Annual Meeting"), as well as information regarding how to access this Proxy Statement and the Company's 2017 Annual Report, including the financial statements contained therein, beginning on or about March 20, 2018.

The expenses of solicitation, including the cost of printing and mailing, will be paid by the Company. Officers and employees of the Company, without additional compensation, may solicit proxies personally, by telephone, email, or by facsimile. Arrangements will also be made with brokerage firms and other custodians, nominees, and fiduciaries to forward proxy solicitation materials to the beneficial owners of shares held of record by such persons, and the Company will reimburse such entities for reasonable out-of-pocket expenses incurred by them in connection therewith.

NOTICE AND VOTING INSTRUCTIONS

Shareholders will receive a Notice Card with information regarding the availability of proxy materials over the internet. Shareholders who wish to receive a paper or email copy of the proxy materials must request one by submitting the request to the Secretary of the Company at the Company's address listed on the first page of this Proxy Statement. There is no charge for receiving a copy. Requests can also be made at the voting website, via telephone, or via email, as described in the Notice Card.

Voting by Internet: Use the internet link and control number provided to you on your Proxy Card. You may vote until 11:59 p.m., Eastern Time, on May 3, 2018. You will need the control number provided on your Proxy Card to access the website.

Voting by Telephone: Call the toll-free telephone number provided to you on your Proxy Card. Telephone voting will be available until 11:59 p.m., Eastern Time, on May 3, 2018. Detailed instructions will be provided during the call. The procedures are designed to authenticate votes cast by using the last 4 digits of a shareholder's social security/taxpayer I.D. number.

Voting by Mail: Request a hardcopy of the proxy materials by submitting your request to the Secretary of the Company at the Company's address listed on the first page of this Proxy Statement. Then complete the Proxy Card, date and sign it, and return it in the envelope provided. Shareholders may also vote their shares in person at the Annual Meeting.

Employees who are participants in the Company's Retirement Program (401(k) plan) will receive a notice and instructions by email or other method that explains how to vote shares credited to their Retirement Program accounts.

If a shareholder does not specify the manner in which the proxy shall be voted, the shares represented thereby will be voted:

• **FOR** the election of the nominees for director as set forth in this Proxy Statement;

• **FOR** the ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the 2018 fiscal year;

• **FOR** approval of the compensation of the Company's named executive officers;

• **In** accordance with the recommendations of management with respect to other matters that may properly come before the Annual Meeting.

A shareholder who has executed a proxy has the power to revoke it at any time before it is voted by (i) delivering written notice of such revocation to Mr. Jonathan M. Grandon, Vice President, Chief Administrative Officer, General Counsel and Secretary, 9255 Coverdale Road, Fort Wayne, Indiana, 46809, (ii) executing and delivering a subsequently dated proxy by mail, or voting by telephone or through the internet at a later date, or (iii) attending the Annual Meeting and voting in person.

SHAREHOLDERS ENTITLED TO VOTE AND SHARES OUTSTANDING

The Board of Directors of the Company fixed the close of business on March 2, 2018, as the record date (the "Record Date") for determining shareholders entitled to notice of and to vote at the Annual Meeting. As of the Record Date, there were 65,000,000 shares of Common Stock, \$.10 par value (the "Common Stock"), authorized, of which 46,529,805 shares of Common Stock were outstanding. Each share of Common Stock is entitled to one vote on each matter submitted to a vote of the shareholders of the Company. Votes cast by proxy or in person at the Annual

Meeting will be tabulated by the inspectors of election appointed for the Annual Meeting and will be counted as present for purposes of determining whether a quorum is present. A majority of the outstanding shares of Common Stock, present in person or represented by proxy, will constitute a quorum for the transaction of business at the Annual Meeting. Abstentions and broker non-votes (which occur when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that proposal and has not received instructions from the beneficial owner) will be counted for purposes of determining the presence or absence of a quorum but will not be counted as votes cast on any matter submitted to shareholders. As a result, abstentions and broker non-votes will not have any effect on the voting results with respect to any of the matters scheduled to be submitted to shareholders at the Annual Meeting.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table shows the persons known by the Company to be the beneficial owners of more than five percent of the Company's Common Stock as of March 2, 2018, unless otherwise noted. The nature of beneficial ownership is sole voting and dispositive power, unless otherwise noted.

Name and address of beneficial owner	Amount and nature of beneficial ownership	Percent of class
BlackRock, Inc. 55 East 52 nd Street New York, NY 10022	5,311,651 ⁽¹⁾	11.42 %
Patricia Schaefer 5400 Deer Run Court Muncie, IN 47304	4,000,168 ⁽²⁾	8.60 %
The Vanguard Group, Inc. 100 Vanguard Blvd. Malver, PA 19355	4,099,171 ⁽³⁾	8.81 %
Diane D. Humphrey 2279 East 250 North Road Bluffton, IN 46714	3,160,140 ⁽⁴⁾	6.79 %

(1) According to a Schedule 13G filed with the SEC, as of December 31, 2017, BlackRock, Inc. has sole voting power with respect to 5,215,817 shares.

(2) Pursuant to agreements with Ms. Schaefer, the Company has a right of first refusal with respect to 3,416,080 shares owned by Ms. Schaefer.

(3) According to a Schedule 13G filed with the SEC, as of December 31, 2017, The Vanguard Group, Inc. has sole voting power with respect to 85,197 shares, shared voting power with respect to 6,300 shares, sole dispositive power with respect to 4,010,574 shares and shared dispositive power with respect to 88,597 shares.

(4) Pursuant to agreements with Ms. Humphrey, the Company has a right of first refusal with respect to 2,843,436 shares owned by Ms. Humphrey.

SECURITY OWNERSHIP OF MANAGEMENT

The following table shows the number of shares of Common Stock beneficially owned by directors, nominees, each of the executive officers named in the "Summary Compensation Table" on page 30 of this Proxy Statement and all executive officers and directors as a group, as of March 2, 2018. The nature of beneficial ownership is sole voting and investment power, unless otherwise noted, except for restricted shares, with respect to which the holder has investment power only after the shares vest.

Name of beneficial owner	Amount and nature of beneficial ownership	Percent of class
David T. Brown	0 ⁽²⁾	*
Renee J. Peterson	0 ⁽²⁾	*
David A. Roberts	45,512 ⁽²⁾⁽⁴⁾⁽⁶⁾	*
Jennifer L. Sherman	0 ⁽²⁾	*
Thomas R. VerHage	2,000 ⁽²⁾	*
David M. Wathen	0 ⁽²⁾	*
Gregg C. Sengstack	617,831 ⁽¹⁾⁽⁵⁾⁽⁸⁾	1.33
John J. Haines	164,269 ⁽¹⁾⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁸⁾	*
Robert J. Stone	162,615 ⁽¹⁾⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁷⁾⁽⁸⁾	*
DeLancey W. Davis	36,240 ⁽¹⁾⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁸⁾	*
Donald P. Kenney	71,157 ⁽¹⁾⁽³⁾⁽⁵⁾⁽⁸⁾	*
All directors and executive officers as a group	1,171,176 ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾⁽⁸⁾	2.52

* Less than 1 percent of class

Includes shares issuable pursuant to stock options exercisable within 60 days after March 2, 2018 as follows: Mr. (1) Sengstack, 276,426; Mr. Haines, 131,680; Mr. Stone, 97,651; Mr. Davis, 21,599; and Mr. Kenney, 34,320. All directors and executive officers as a group, 600,843.

Does not include stock units credited pursuant to the terms of the Non-Employee Directors' Deferred Compensation (2) Plan described under "Director Compensation" to: Mr. Brown, 67,889; Ms. Peterson, 14,461; Mr. Roberts, 5,427; Ms. Sherman, 17,034; Mr. VerHage, 34,075; and Mr. Wathen, 78,678.

Includes shares held by the 401(k) Plan Trustee as of March 2, 2018: Mr. Haines, 6,040; Mr. Stone, 24,549; Mr. (3) Davis, 122; and Mr. Kenney, 30,404. All executive officers as a group, 61,115.

Includes unvested restricted shares as follows: Mr. Roberts, 9,717; Mr. Haines, 3,571; Mr. Stone, 6,711; and Mr. (4) Davis 9,646. All executive officers as a group, 53,206.

Does not include unvested restricted stock units as follows: Mr. Sengstack, 79,100; Mr. Haines, 20,943; Mr. Stone, (5) 11,898; Mr. Davis, 5,944; and Mr. Kenney, 17,299. All executive officers as a group, 138,575.

(6) Includes 23,101 shares owned by a trust.

(7) Includes 17,928 shares indirectly owned.

Includes shares based on estimated release of performance share units earned in 2017 as follows: Mr. Sengstack, (8) 7,402; Mr. Haines, 2,327; Mr. Stone, 1,904; Mr. Davis, 1,599; and Mr. Kenney, 876. All executive officers as a group, 14,954. See the "Compensation Discussion and Analysis" section for further information.

PROPOSAL 1: ELECTION OF DIRECTORS

The Company's Amended and Restated By-laws provide that the Board of Directors shall consist of seven directors, divided into three classes of two or three directors each. Each year, the directors of one of the three classes are elected to serve terms of three years or until their successors have been elected and qualified. Two directors will be elected at the Annual Meeting this year. Directors are elected by the affirmative vote of a majority of the shares voted, unless the number of nominees for director exceeds the number of directors to be elected, in which case directors shall be elected by a plurality of the shares voted (i.e., the two nominees who receive the most votes will be elected).

Gregg C. Sengstack and David M. Wathen have been nominated to serve as directors of the Company for terms expiring in 2021. The nominees are current directors of the Company and have indicated their willingness to continue to serve as directors if elected. If, however, any nominee is unwilling or unable to serve as a director, shares represented by the proxies will be voted for the election of another nominee proposed by the Board of Directors or the Board may reduce the number of directors to be elected at the Annual Meeting.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS
THAT YOU VOTE FOR THE ELECTION OF EACH NOMINEE.

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INFORMATION CONCERNING NOMINEES AND CONTINUING DIRECTORS

Set forth below for the director nominees and continuing directors are their ages, year they first became a director, principal occupations and directorships for at least the past five years, and legal proceedings, if any, for the past ten years. With respect to each nominee or continuing director, we describe under the heading "Relevant Experience" the particular experience and other attributes that have led to the conclusion that the individual should serve on the Board of Directors of the Company.

Directors with terms
expiring in 2018

~~Agg~~ 59

C.
Sengstack
Director
and
Chief
Executive
Director Since: 2014

Officer
of
the
Company
Principal
Occupation: Chief
Executive Officer of
the Company since
2014.

Formerly: President
and Chief Operating
Officer of the
Company from
2011-2014; prior
thereto, Senior Vice
President and
President, Franklin
Fueling Systems and
International Water
Group from
2005-2011; prior
thereto, Chief
Financial Officer of
the Company from
1999-2005.

Directorships -
Public
Companies: Woodward,
Inc.

Relevant
Experience: Mr.
Sengstack received

his bachelor's degree in math and economics from Bucknell University and his MBA from the University of Chicago. Mr. Sengstack joined the Company in 1988 and has significant experience holding various positions in the Company, which provides the Board with a unique depth of understanding of the Company's markets and businesses that is beneficial to the Board in its deliberations. Mr. Sengstack's long tenure with the Company also helps give the Board a historical perspective of the Company.

David 65

M. Wathen
Director Since: 2005
of the Company
Principal
Occupation: Retired in 2016.
Formerly: President and Chief Executive Officer of TriMas Corporation, a manufacturer of engineered products, from 2009-2016; prior thereto, President and Chief Executive Officer, Balfour Beatty, Inc. (U.S. Operations), an engineering,

construction and building management services company, from 2002-2006; prior thereto, Group Executive/Corporate Officer, Eaton Corporation, a global technology leader in diversified power management solutions, from 1997-2000.

Relevant

Experience: Mr.

Wathen received his bachelor's degree in mechanical engineering from Purdue University and his MBA from Saint Francis College, Fort Wayne, Indiana. Mr. Wathen brings to the Board his experience as CEO of two companies and leadership positions in others, including over twenty years direct technical and general management experience in the same industry as the Company and direct experience managing electrical businesses serving pump OEMs and distributor channels similar to those served by the Company. His background enables him to serve as an "audit committee financial expert". His experience on the Board of the Company also helps give the Board a

historical perspective
in its deliberations.

Directors with terms
expiring in 2019

Renee

JAge: 56

Peterson

Director

of
the Director Since: 2015

Company

Principal

Occupation: Vice
President, Treasurer
and Chief Financial
Officer of The Toro
Company, since
2011.

Formerly: Vice
President, Finance
and Planning of
Eaton Corporation
from 2008 to 2011;
prior thereto, Vice
President and
Division Chief
Financial Officer of
the Aerospace and
Defense Segment of
Honeywell
International Inc.
Peterson held a
variety of positions
of increasing
responsibility
throughout her
Honeywell career
from 1983 to 2008.

Relevant

Experience: Ms.

Peterson received
her bachelor's degree
in accounting from
Saint Cloud State
University and her
MBA from the
University of
Minnesota. Ms.

Peterson brings
financial and
operational

experience at three large manufacturers that provides the Board with specific expertise and assists in its deliberations.

At Toro, Ms.

Peterson also provides leadership oversight of the Information Systems function. Her background enables her to serve as an "audit committee financial expert."

Jennifer

Age: 53

Sherman

Director

of Director Since: 2015
the

Company

Principal

Occupation: President and Chief Executive Officer of Federal Signal Corporation, a diversified manufacturer of specialized vehicles and systems in maintenance and infrastructure as well as safety and security products, including audible and visual warning devices, since 2016.

Formerly: Chief Operating Officer of Federal Signal from 2014 to 2015; prior thereto, Chief Administrative Officer of Federal Signal from 2010 to 2014; prior thereto, General Counsel of Federal Signal from 2004 to 2010.

Relevant

Experience: Ms. Sherman received her bachelor's degree in business administration and her Juris Doctor from the University of Michigan. She is also a fellow of the Kellogg School of Management at Northwestern University. Ms. Sherman's background has provided her with a broad range of experiences that will complement the Board. Specifically, Ms. Sherman's experience includes, but is not limited to, compliance, human resources, legal issues, governance and business operations. Consequently, Ms. Sherman has the background and capability to serve as an important member of the Board.

Directors with terms
expiring in 2020

David

Age: 69

Brown

Director

of
the Director Since: 2008

Company

Principal

Occupation: Retired
in 2007.

Formerly: President
and Chief Executive
Officer of Owens
Corning, a world
leader in building
materials systems and
glass fiber
composites, from
2002 until 2007; prior
thereto, Executive
Vice President and
Chief Operating
Officer, from 2001
through 2002; prior
thereto, Vice
President and
President, Insulating
Systems Business,
from 1997 through
2001.

Directorships - Public
Companies:

BorgWarner, Inc.
(2004 - 2014); RSC
Holdings, Inc.
(2011-2012).

Relevant

Experience: Mr.

Brown received his
bachelor's degree in
business economics
from Purdue
University. Mr.

Brown adds to the
Board his experience
in a long career at
Owens Corning,

where he moved through the ranks from salesman to regional sales manager to chief operating officer and ultimately CEO where he led the company out of an asbestos related bankruptcy. In addition to his perspective as a successful CEO of a global manufacturer, he brings his experience on the Board of Borg Warner, Inc. and RSC Holdings, Inc.

David

Age: 70

Roberts

Director

of
Director Since: 2003
the

Company

Principal

Occupation: Chairman, Carlisle Companies, Incorporated since 2016.

Formerly: Chairman, President and Chief Executive Officer, Carlisle Companies, Incorporated, a diversified global manufacturing company from 2007 until 2016; Chairman, President and Chief Executive Officer, Graco Inc., a manufacturer of fluid-handling equipment and systems, from 2001 to 2007.

Directorships – Public Companies: Carlisle

Companies,
Incorporated
(2007-present); SPX
Corporation
(2015-present);
Horizon Global
Corporation
(2018-present);
Polypore
International, Inc.
(2012-2015); Arctic
Cat (2006-2009);
ADC
Telecommunications,
Inc. (2008-2010).

Relevant
Experience: Mr.
Roberts received his
bachelor's degree in
technology from
Purdue University
and his MBA from
Indiana University.
He brings to the
Board his experience
as CEO of two
substantial
publicly-held
manufacturing
companies. His
experience on the
Board of the
Company also helps
give the Board a
historical perspective
in its deliberations.

Thomas
Age: 65
VerHage
Director
of Director Since: 2010
the
Company
Principal
Occupation: Retired
in 2011.
Formerly: Vice
President and Chief
Financial Officer,
Donaldson Company,
Inc., a worldwide

provider of filtration systems and replacement parts, from 2004 until 2011; prior thereto, Partner, Deloitte & Touche, LLP, an international accounting and consulting firm, from 2002 to 2004; prior thereto, Partner, Arthur Andersen, LLP, a consulting and accounting firm, from 1976 to 2002.

Relevant

Experience: Mr.

VerHage received his bachelor's degree in business

administration and his MBA from the University of Wisconsin. Mr.

VerHage adds to the Board his financial and accounting expertise from his experience as CFO of Donaldson Company, Inc. and his prior experience with two major public accounting firms. His background enables him to serve as an "audit committee financial expert."

INFORMATION ABOUT THE BOARD AND ITS COMMITTEES

Director Independence

The Board of Directors of the Company has determined that each of the current directors, except for Gregg C. Sengstack, Chief Executive Officer, is an “independent director” in compliance with the independence standards set forth in the Company’s Corporate Governance Guidelines and under the applicable rules adopted by The NASDAQ Stock Market, Inc. (“NASDAQ”). In making its independence determinations, the Board concluded that no director, other than Mr. Sengstack, has any material relationship in the Company, except as a director and shareholder.

Board Leadership Structure and Risk Oversight

The Board is led by Mr. Sengstack, who has served as Chairman of the Board and Chief Executive Officer since 2015. The Board consists of Mr. Sengstack and six other directors. The Board has three standing committees - Audit, Management Organization and Compensation, and Corporate Governance. The Audit Committee is primarily responsible for risk oversight and the full Board receives regular reports from the Audit Committee and from the Company's officers and other management personnel regarding risk management. Each of the other two committees also considers risk as it falls within its area of responsibility.

The Company’s Corporate Governance Guidelines provide for an independent nonexecutive director to act as Lead Independent Director. The Lead Independent Director is appointed by a majority of the independent directors and serves for two-year terms; however, he or she may be removed or replaced by a majority of the independent directors at any time. David M. Wathen currently serves as the Company’s Lead Independent Director. The Lead Independent Director receives additional compensation for his or her services, as the Board determines from time to time.

The specific responsibilities of the Lead Independent Director when acting as such include the following:

- Acting as a liaison between the Chairman and the Independent Directors;
- Assisting the Chairman and Secretary in setting the Board agenda and determining what materials will be provided to the directors and the outside general counsel in advance of Board meetings and ensuring that the agenda items receive adequate time for discussion and deliberation;
- Providing leadership to the Board to ensure that the Board works cohesively and independently;
- Determining when the Board should meet in executive session without management present, coordinating and developing the agenda for, and chairing, such executive sessions; and
- In the event of the incapacitation of the Chairman, serving as non-executive chairman until a permanent chairman is appointed.

The Lead Independent Director also performs any additional responsibilities delegated to the Lead Independent Director by the Board.

The Board believes that the Chairman and Chief Executive Officer should consist of a single individual who is seen by the Company’s customers, business partners, investors, and shareholders as someone who provides strong leadership for the Company and is viewed as such in the industries in which the Company competes. The Company believes that the Lead Independent Director, the Board committees, all of which are chaired by and consist of independent directors, and the full Board of Directors, provide effective oversight of the Company’s businesses and the risks involved in them.

Meetings

The Board held five meetings during 2017. Each director attended at least 75 percent of the aggregate meetings of the Board and Board committees of which he or she was a member during the period that each served as a director. All directors attended the 2017 Annual Meeting of Shareholders.

Committees

Audit Committee.

The members of the Audit Committee during 2017 were Thomas R. VerHage (Chairman), David M. Wathen and Renee J. Peterson. The Board of Directors has determined that each member of the Audit Committee is an “independent director” in compliance with the independence standards set forth in the Company’s Corporate Governance Guidelines and under the applicable NASDAQ rules. The Board of Directors has adopted an Audit Committee charter, a copy of which is available on the Company’s website at www.franklin-electric.com under “Governance,” that sets forth the duties and responsibilities of the Audit Committee.

Under its charter, the Audit Committee appoints the Company's independent registered public accounting firm and assists the Board of Directors in fulfilling its oversight responsibilities by reviewing the Company's financial information, the Company's system of internal control, the Company's processes for monitoring compliance with laws and regulations and the Company's audit and risk management processes. It is the general responsibility of the Audit Committee to advise and make recommendations to the Board of Directors in all matters regarding the Company's accounting methods and internal control procedures. The Audit Committee held four meetings in 2017.

The Audit Committee is also responsible for the review, approval, or ratification of transactions between the Company and "related persons." The Audit Committee reviews information compiled in response to the Directors' and Officers' Questionnaires or otherwise developed by the Company with respect to any transactions with the Company in which any director, executive officer, 5% beneficial holders, or any member of his or her immediate family, has a direct or indirect material interest that would require disclosure under applicable SEC regulations. In 2017, there were no such transactions.

The Board of Directors has determined that all members of the Audit Committee are "audit committee financial experts" as defined by Item 407(d)(5)(ii) of Regulation S-K of the Exchange Act and are "independent" under the applicable NASDAQ rules.

Management Organization and Compensation Committee.

The members of the Management Organization and Compensation Committee (the "Compensation Committee") during 2017 were David T. Brown (Chairman), David A. Roberts, and Jennifer L. Sherman. The Board of Directors has determined that each member of the Compensation Committee is an "independent director" in compliance with the independence standards set forth in the Company's Corporate Governance Guidelines and under applicable NASDAQ rules. The Board of Directors has adopted a Compensation Committee charter, a copy of which is available on the Company's website at www.franklin-electric.com under "Governance," that sets forth the duties and responsibilities of the Compensation Committee. Under its charter, the Compensation Committee recommends to the Board of Directors the annual salary and bonus for the Chief Executive Officer, determines and approves the equity awards for the Chief Executive Officer and the annual salary, bonus and equity awards of the other executive officers of the Company; reviews and submits to the Board of Directors recommendations concerning bonus and stock plans; periodically reviews the Company's policies in the area of management benefits; and oversees the Company's management development and organization structure. As part of its oversight responsibilities, the Compensation Committee evaluated the risks arising from the Company's compensation policies and practices, with the assistance of Meridian Compensation Partners, LLC, an independent executive consulting firm. The Committee considered, among other factors, the design of the incentive compensation programs, which are closely linked to corporate performance and capped the mix of long- and short-term compensation, the distribution of compensation as between equity and cash, and other factors that mitigate risk. The Committee concluded that the Company's compensation policies and practices do not involve undue risk. The Compensation Committee held five meetings in 2017.

Corporate Governance Committee.

The members of the Corporate Governance Committee during 2017 (the "Governance Committee") were David T. Brown, and David A. Roberts, and Jennifer L. Sherman (Chairman). The Board of Directors has determined that each member of the Governance Committee is an "independent director" in compliance with the independence standards set forth in the Company's Corporate Governance Guidelines and under applicable NASDAQ rules. The Board of Directors has adopted a Governance Committee charter, a copy of which is available on the Company's website at www.franklin-electric.com under "Governance," that sets forth the duties and responsibilities of the Governance Committee. Under its charter, the Governance Committee reviews the size of the Company's Board of Directors and committee structure and recommends appointments to the Board and the Board Committees; reviews and recommends

to the Board of Directors the compensation of non-employee directors, including awards to non-employee directors under the Company's equity-based and compensation plans; and develops and recommends to the Board corporate governance guidelines deemed necessary for the Company. The Governance Committee held two meetings in 2017.

Director Nomination Process

The Governance Committee is responsible for identifying and recommending to the Board candidates for director. The Governance Committee considers diversity when identifying candidates for directorships. Although the Company does not have a written policy regarding diversity, the Governance Committee seeks to identify persons from various backgrounds and with a variety of life experiences who have a reputation for, and a record of, integrity and good business judgment and the willingness to make an appropriate time commitment. The Governance Committee also considers whether a person has experience in a highly responsible position in a profession or industry relevant to the conduct of the Company's business. The Governance Committee

takes into account the current composition of the Board and the extent to which a person's particular expertise, experience and ability will complement the expertise and experience of other directors. Candidates for director should also be free of conflicts of interest or relationships that may interfere with the performance of their duties. Based on its evaluation and consideration, the Governance Committee submits its recommendation for director candidates to the full Board of Directors, which is then responsible for selecting the candidates to be elected by the shareholders. The Governance Committee evaluates its success in achieving these goals for Board composition from time to time, particularly when considering Board succession and candidates to fill vacancies.

The Governance Committee will consider as candidates for director persons recommended or nominated by shareholders. Shareholders may recommend candidates for director by writing to the Secretary of the Company at the address listed below under "Other Corporate Governance Matters." Nominations of directors may be made by any shareholder entitled to vote in the election of directors, provided that written notice of intent to make a nomination is given to the Secretary of the Company not later than 90 days prior to the anniversary date of the immediately preceding Annual Meeting of shareholders. The notice must set forth (i) information regarding the proposed nominee as would be required to be included in a proxy statement filed pursuant to the proxy rules of the SEC, and (ii) the consent of such nominee to serve as a director of the Company if so elected.

Other Corporate Governance Matters

The Board of Directors has adopted Corporate Governance Guidelines, a copy of which is available on the Company's website at www.franklin-electric.com under "Governance," that provide, among other things, that the Company's independent directors will meet in executive session, outside the presence of the non-independent directors and management, at least twice a year. In 2017, the independent directors met in executive session five times.

Each Board committee, on an annual basis, conducts and reviews with the Board a performance evaluation of the committee, which evaluation compares the committee's performance against the requirements of the committee's charter and sets the committee's goals for the coming year.

Anyone may contact the Board of Directors, any Board Committee, the Lead Independent Director, any independent director or any other director by writing to the Secretary of the Company as follows:

Franklin Electric Co., Inc.
Attention: [Board of Directors], [Board Committee], [Board Member]
c/o Corporate Secretary
Franklin Electric Co., Inc.
9255 Coverdale Road
Fort Wayne, IN 46809

The independent directors of the Board have approved a process for collecting, organizing and responding to written shareholder communications addressed to the Board, Board Committees or individual directors.

Copies of the Company's corporate governance documents, including the Board Committee charters and the Corporate Governance Guidelines are available upon written request to the Secretary of the Company at the address listed above or on the Company's website at www.franklin-electric.com under "Governance."

In compliance with Section 406 of the Sarbanes-Oxley Act of 2002, the Company has adopted a code of business conduct and ethics for its directors, principal financial officer, controller, principal executive officer, and other employees (the "Code"). The Company has posted the Code on the Company's website at www.franklin-electric.com under "Governance". The Company will disclose any amendments to the Code and any waivers from the Code for

directors and executive officers by posting such information on its website.

MANAGEMENT ORGANIZATION AND
COMPENSATION COMMITTEE REPORT

The Management Organization and Compensation Committee of the Board of Directors hereby furnishes the following report to the shareholders of the Company in accordance with rules adopted by the Securities and Exchange Commission.

The Management Organization and Compensation Committee has reviewed and discussed with management the Company's Compensation Discussion and Analysis contained in this Proxy Statement.

Based upon this review and discussion, the Management Organization and Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

This report is submitted on behalf of the 2017 members of the Management Organization and Compensation Committee.

David T. Brown (Chairman)
David A. Roberts
Jennifer L. Sherman

COMPENSATION DISCUSSION AND ANALYSIS

This section of the proxy statement is intended to provide shareholders with information about the compensation awarded in fiscal 2017 to the Company's executives, including the "named executive officers." This information includes a discussion of the key elements of the Company's compensation program and the philosophy and rationale behind the Management Organization and Compensation Committee's executive compensation decisions. The named executive officers are those listed below and in the Summary Compensation Table of this proxy statement:

Gregg C. Sengstack: Chairman of the Board and Chief Executive Officer
John J. Haines: VP, Chief Financial Officer
Robert J. Stone: Senior VP and President, International Water Systems
DeLancey W. Davis: VP and President, Headwater Companies
Donald P. Kenney: VP and President, North America Water Systems

You should review this Compensation, Discussion and Analysis section together with the tabular disclosures beginning on page 30.

Executive Summary

The Management Organization and Compensation Committee of the Board (the "Committee") believes that a significant portion of the total compensation opportunity for each executive should be tied to performance, both of the Company and of the individual executive. This summary contains a discussion of the 2017 executive compensation highlights, 2017 performance and the prior year Advisory Vote on Executive compensation ("say on pay") results.

2017 Executive Compensation Overview

• Performance-based compensation represented between 53% and 62% of the named executive officers' total targeted compensation for fiscal 2017.

The annual cash incentive awards are directly aligned with critical one-year operating results. No cash awards are earned unless a threshold level of performance is attained. Earned payouts cannot exceed 200% of the target opportunity.

Long-term incentive awards are equity-based, and are designed to align management's interests with those of the Company's shareholders and to foster retention of key executives. The 2017 long-term incentive grants are predominantly performance-based, generally with 40% of the targeted value awarded as stock options and 30% of the targeted value awarded as performance-based share units (earned units cannot exceed 200% of the target number of units). The remaining 30% of the targeted value is awarded as time-based restricted stock or restricted stock units. These awards focus executives on delivering results that drive shareholder value.

• The Company generally does not provide perquisites to the named executive officers, but will, in certain circumstances, such as relocation, provide perquisites.

• The Company has stock ownership requirements in place to further align the interests of the Company's executives with those of the Company's shareholders.

• The Company has a recoupment policy that permits the recovery of incentive compensation paid to executives in instances where misconduct results in a restatement of financial statements or material harm to the Company.

• The Company has anti-hedging and anti-pledging provisions that prohibit executives and directors from hedging the value of Company securities or pledging Company securities held by them.

2017 Company Performance

The financial results achieved by the Company included an 18% increase in sales, to \$1,124.9 million from \$949.9 million in the prior year. The sales increase was primarily related to acquisitions. Water Segment sales were \$748.6

million in 2017, an increase of \$25.4 million or about 4 percent. The sales change in 2017, excluding acquisitions and foreign currency translation, was an increase of \$23.4 million or about 3 percent. Fueling Segment sales were \$245.9 million in 2017 and increased \$19.2 million or about 8 percent from 2016. Foreign currency translation rate changes increased sales \$0.7 million or less than 1 percent compared to sales in 2016. The Fueling Segment sales change in 2017, excluding foreign currency translation, was an increase of \$18.5 million or about 8 percent. During 2017, the Company acquired controlling interests in

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three distribution entities and began reporting on its newly created Distribution Segment. Distribution sales were \$176.7 million and were all acquisition related. The Company made significant progress with respect to its key strategic initiatives in 2017, including the following:

The Water Systems business expanded its product offering through research and development expenditures with emphasis on continued market leadership in submersible and surface pumps, and in the production of motors for residential, agricultural and municipal applications.

The Water Systems business remained focused on enhancing the value of the Company's products and improving efficiency through the introduction of the MagForce Submersible 6-Inch permanent magnet motor and drive system, which provides an efficiency improvement of 10-12 percent when compared to standard induction motors, as well as launching the 6" SSR, 9" STS, and SSI Submersible Turbine Pump lines.

Focus also remained on electronic drives and controls for submersible and surface pumping and HVAC applications. The business launched the new SubDrive Utility product which provides constant pressure for the large 2-Wire motor residential segment, and also developed a new family of Variable Frequency Drives, the SubDrive Vantage, which is focused on Agricultural and Industrial applications, and the QLink, focused on HVAC applications.

In the Plumbing Wholesale/HVAC channel, the redesigned FPS PowerSewer® System provides a more flexible, service friendly, and efficient low-pressure sewer system for residential and commercial applications.

The Fueling Systems business added the EVO™ 200 & EVO™ 400 series tank gauges to the Automatic Tank Gauge lineup serving the retail fueling industry. The EVO™ Series tank gauges are designed for easy setup and operation, and provide features like remote connectivity and security functionality which protect the fuel system while providing direct connectivity to vital site data. The business also launched the Cable Tight™ wire management system for the UL market, which protects petroleum system electrical and data wiring with an electrofusion welding installation process.

During the second quarter of 2017, the Company forward-integrated into groundwater distribution with the acquisitions of controlling interests in three distributors (2M Company, Inc., Drillers Service, Inc. and Western Hydro, LLC, collectively referred to as the "Headwater Companies"). The Headwater Companies provide the Company with a professional groundwater distribution channel within the United States.

Prior Year Say on Pay Results

At the May 5, 2017 shareholders meeting, the "Advisory Vote on Executive Compensation" proposal (the "say on pay" vote) received support from 97.8% of votes cast. The Committee considered these results and determined that the results of the vote did not call for any significant changes to the executive compensation plans and programs already in place for 2017 or for the 2018 fiscal year.

Management Organization and Compensation Committee

The Committee, consisting entirely of independent directors, has the responsibility for establishing, implementing and monitoring adherence with the Company's compensation program and providing input to the Board with respect to management development and succession planning. The role of the Committee is to oversee, on behalf of the Board, the Company's compensation and benefit plans and policies, administer its stock plans (including reviewing and approving equity grants to the CEO and all other executive officers), review and approve all other compensation decisions relating to the executive officers of the Company other than the CEO, and recommend CEO non-equity compensation to the Board for its approval.

In addition, the Committee (i) reviews the Company's organization structure, (ii) reviews the recruitment of key employees and management's development plans for key employees, (iii) makes recommendations to the Board with respect to the CEO succession plan and (iv) reviews compensation risk to determine whether the compensation policies and practices are reasonably likely to have a material adverse effect on the Company. The Committee meets a minimum of three times annually to discharge its duties and held five meetings in 2017.

Compensation Philosophy and Pay Objectives

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The Company and the Committee believe that compensation paid to executive officers, including the named executive officers, should be aligned with the strategy and performance of the Company on both a short-term and long-term basis, and that such compensation should assist the Company in attracting and retaining key executives critical to the Company's success. Compensation is structured to ensure that a significant portion of the executive's compensation opportunities will be directly related to Company performance and other factors that directly and indirectly influence shareholder value.

The Committee encourages superior short-term performance through the use of annual cash incentive awards and superior long-term performance through equity incentive awards. For the Company's CEO and CFO, the cash incentive compensation is designed to reward Company-wide performance by tying 100% of their target cash incentive opportunity to corporate financial goals, including return on invested capital, earnings per share, and in the case of the CFO, fixed cost management. For other named executive officers, the cash incentive compensation is weighted to reward the achievement of specific financial metrics within areas under their control, although Company-wide performance is still an important factor. Stock-based compensation consists of a combination of stock options, restricted stock (or restricted stock units for retirement-eligible executives) and performance share units. The Committee believes that all three equity-based components create a strong link to shareholder value creation, with the majority of the awards in the form of stock options and performance share units.

Historically, the Committee has set executive pay opportunities based on a number of factors deemed appropriate by the Committee, including market competitive pay data, individual performance and the experience level of the executive. Subject to the factors set forth above, the Committee used the following pay objectives as a guide in assessing competitiveness of pay opportunities at a peer group of companies for 2017 pay decisions (the same levels were used in 2016). The higher targeted pay objectives for annual bonus and long-term incentive components reflect the Committee's objective to attract and retain high quality executive talent in order to meet the aggressive performance goals of the Company and its belief that a significant portion of total compensation should be at risk and variable.

Pay Component	Targeted Pay Objectives
Base Salary	50 th percentile
Annual Bonus Opportunity	65 th percentile
Long-Term Incentives	65 th percentile

Role of Management in Compensation Decisions

The Committee makes equity compensation decisions with respect to the CEO and all compensation decisions with respect to all other executive officers of the Company. The Committee recommends to the Board, for its review and approval, the annual salary and annual non-equity incentive compensation for the CEO.

The CEO reviews the performance of other executive officers, including the other named executive officers, and makes recommendations to the Committee with respect to their annual salary adjustments, annual cash incentive opportunities and payments, and grants of long-term incentive awards. The Committee approves the compensation of these executives after considering the CEO's input and recommendations and its own judgment of each executive's performance during the period.

The Committee and the CEO also review the financial metrics to be used to measure the performance of the Company and its business units, taking into account the strategic goals of the Company. For this purpose, the CEO provides information and commentary relevant to the Committee's review and ultimate determination. The CEO also describes the individual strategic initiatives he sets for each executive for the fiscal year. The Board sets the strategic individual initiatives for the CEO.

Although the CEO regularly attends Committee meetings, he is present only by invitation of the Committee and has no independent right to attend such meetings. In fiscal 2017, Mr. Sengstack attended all of the Committee meetings but did not participate in any of the executive sessions.

Role of Compensation Consultant and Advisers in Compensation Decisions

The Committee utilizes the Company's Human Resources department and has the authority under its charter to engage the services of outside consultants to assist the Committee. In accordance with this authority, the Committee has engaged the services of Meridian Compensation Partners, LLC ("Meridian"), an independent executive compensation consulting firm, to conduct reviews of its total compensation program for executive officers and to provide advice to the Committee in the design and implementation of its executive compensation program. Pursuant to its charter and NASDAQ listing standards, the Committee

regularly reviews Meridian’s independence relative to key factors, including: (i) whether Meridian provides any other services to the Company; (ii) the amount of fees paid to Meridian relative to the total revenue of the firm; (iii) policies in place to prevent conflicts of interest; (iv) any personal or business relationships with members of the Committee; (v) ownership of Company stock; and (vi) any personal or business relationships with executive officers.

A representative from Meridian is invited by the Committee to attend the relevant portions of its meetings. During 2017, Meridian participated in all five of the Committee meetings in person or by telephone. In the course of fulfilling its consulting responsibilities, representatives of Meridian frequently communicate with the Chairman of the Committee outside of regular Committee meetings. A representative of Meridian meets with the Committee in executive session at most meetings. Meridian also interacts with management from time to time to exchange information and to review proposals that management may present to the Committee.

Peer Group Benchmarking

In late 2016, the Committee, with the assistance of Meridian, conducted an in-depth analysis of the current peer group used for compensation benchmarking purposes to ensure that all included companies continued to be relevant comparators. This detailed peer group review was conducted to systematically evaluate each current peer company along with other potential companies with the intent on increasing the proportion of the peer group that is made up of industrial machinery companies that are more closely aligned with the Company’s business of designing, manufacturing and distributing engineered industrial products. As part of this process, the Committee considered revenue size and industry, as well as companies that compete with the Company for executive talent. Based on this review, the peer group was modified to replace 15 existing peer companies that were either acquired during the year or were deemed less relevant from a business/product perspective with 11 companies that are generally more aligned with the criteria discussed above. The Committee approved the 25-company peer group listed below (the “2017 Peer Group”) for purposes of updating the executive pay study to assist in 2017 pay decisions. The companies in the newly constructed 2017 Peer Group are primarily engaged in manufacturing, are publicly traded, and had trailing twelve-month revenue (as of 10/31/2016) between \$387 million and \$2.75 billion. Due to the differences in size among the companies in the 2017 Peer Group, Meridian used a form of regression analysis to adjust the pay study results based on Company revenue as compared to revenue of other companies in the 2017 Peer Group and each executive’s level of responsibility as compared to executives in comparable positions in the 2017 Peer Group.

Actuant Corporation	Hillenbrand, Inc.	Standex International Corp.
Chart Industries, Inc.	IDEX Corporation	The Gorman-Rupp Co.
CIRCOR International, Inc.	ITT, Inc.	The Timken Co.
Crane Co.	Lindsay Corporation	Toro Co.
Curtiss-Wright Corporation	Lydall, Inc.	TriMas Corporation
Donaldson Company, Inc.	Mueller Water Products, Inc.	Watts Water Technologies, Inc.
ESCO Technologies, Inc.	Nordson Corporation	Woodward, Inc.
Esterline Technologies, Corp.	RBC Bearings, Inc.	
Graco, Inc.	SPX FLOW, Inc.	

Setting Executive Compensation

In General

The Company compensates its executives through programs that emphasize performance-based compensation. For the executive officers, including the named executive officers, the compensation package for 2017 included base salary, an annual cash incentive opportunity and an annual long-term incentive opportunity in the form of stock options,

performance share units, and restricted stock/units. Base salary is intended to provide a certain level of fixed compensation commensurate with an executive's position, responsibilities and contributions to the Company. The Company has structured annual and long-term incentive compensation to motivate executives to achieve the strategic objectives set by the CEO and the Board, to tie executives' long-term interests to those of the Company's shareholders, to reward the executives for achieving such goals, and to provide a retention incentive.

The mix of compensation among base salary, annual bonus opportunity and long-term incentives is a result of the targeted pay objective for each component of pay. This approach results in a significant portion of the compensation of those executive

officers having the greatest ability to influence the Company's performance being performance-based, which the Committee believes is appropriate. Additionally, after setting each separate component of pay, the Committee reviews the total compensation package of each named executive officer to assess the level of total target compensation provided in relation to the competitive range of market practice and may make adjustments to one or more components of pay based on this assessment.

Each year Meridian provides a study of market competitive compensation data. The updated study included 2016 compensation data for the companies in the 2017 Peer Group, with cash data "aged" to reflect expected 2017 compensation levels for the 2017 Peer Group. In February 2017, the Committee set the specific components of the compensation of the named executive officers, with the overall goal of providing compensation opportunities at levels generally competitive with the 2017 pay study. Total targeted compensation for 2017 for the named executive officers ranged from 8.4% below to 4.1% above (4.8% below on an aggregate basis) the targeted level of total compensation in the 2017 Peer Group for similar executive positions.

The following table shows the 2017 total targeted compensation (the sum of base salary, target annual bonus opportunity and long-term incentives) for the named executive officers, using targets of the 50th percentile of the 2017 Peer Group for base salary and the 65th percentile of the 2017 Peer Group for annual bonus opportunity and long-term incentives:

Named Executive Officer	2017 Targeted Total Compensation ⁽¹⁾⁽²⁾ (\$)
Gregg C. Sengstack	3,680,417
John J. Haines	1,399,750
Robert J. Stone	1,157,157
DeLancey W. Davis	1,032,219
Donald P. Kenney	1,063,750

(1) Based on annualized base salary rates plus target annual bonus opportunity (based on salary targeted to be paid for 2017) and economic value of long-term incentives.

(2) The Company completed its acquisition of the remaining interests in the Headwater Companies in April 2017. As part of the integration process, Mr. Davis became President of the Headwater Companies and Mr. Kenney replaced Mr. Davis as President of North America Water Systems. Mr. Kenney's appointment moved him to a larger role that increased the market competitive level of his target compensation, resulting in increases in target salary, bonus and long-term compensation, as reflected in the table above. Mr. Davis' move was viewed more as a lateral change which did not materially change the market competitive level of compensation or his target compensation, but given the strategic importance of this venture, the Company granted him a performance-based equity award in April (which is not included in the table above).

The following sections discuss the individual elements of the Company's compensation program, including any changes made for fiscal 2017.

Base Salary

The Company pays its executives annual salaries, which provide a degree of financial stability and are intended to reflect the competitive marketplace and help attract and retain quality executives. In determining the 2017 base salary for each executive, the Committee took into account the targeted annual salary objective for the position based on the results of the pay study for 2017 and assessed the responsibilities associated with the position, individual contribution and performance, skill set, prior experience and external pressures to attract and retain talent.

Applying these factors, the Committee made the base salary adjustments shown in the table below for the named executive officers. Based on the pay study, the resulting base salaries of the named executive officers ranged from 1.3% above to 3.4% below (1.4% below on an aggregate basis) the 50th percentile of salaries paid to executives in comparable positions at the companies in the 2017 Peer Group.

Named Executive Officer	2016 Base Salary Rate ⁽¹⁾ (\$)	2017 Base Salary Rate ⁽²⁾ (\$)	% Change
Gregg C. Sengstack	703,000	750,000	6.7%
John J. Haines	392,000	412,000	5.1%
Robert J. Stone	377,500	389,000	3.0%
DeLancey W. Davis	351,500	362,000	3.0%
Donald P. Kenney	316,500	365,000	15.3%

(1)2016 base salary increases were effective June 1, 2016.

2017 base salary increases were effective June 1, 2017 for all named executive officers, except that Mr. Kenney's

(2)2017 base salary increase was effective as of January 1, 2017 in connection with his appointment to VP and President, North America Water Systems.

Annual Cash Incentive Award

The executive officers of the Company are eligible to participate in the Executive Officer Annual Incentive Cash Bonus Program (the “Annual Bonus Plan”). The Annual Bonus Plan, which works in conjunction with the Management Incentive Plan (“MIP”), is designed to motivate and reward participants for achieving or exceeding financial goals that support the overall business objectives and strategic direction of the Company.

Under the MIP, the Committee sets a performance-based ceiling on the bonuses paid under the Annual Bonus Plan so that they meet the deductibility requirements of Section 162(m) of the Internal Revenue Code. For 2017, the MIP covered Messrs. Sengstack, Stone, Davis and Kenney (Mr. Haines was not subject to Code Section 162(m) for 2017 because he is CFO). The Committee established Company operating income before restructuring charges as a performance goal under the MIP and a bonus pool equal to 10% of operating income, with each named executive officer eligible for a bonus opportunity stated as a percentage of the bonus pool as follows:

Named Executive Officer	% of Bonus Pool ⁽¹⁾
Gregg C. Sengstack	40%
Robert J. Stone	15%
DeLancey W. Davis	15%
Donald P. Kenney	15%

(1) One other participant who is not a named executive officer was allocated 15% of the bonus pool.

As discussed below, the Committee also established performance criteria for each participant pursuant to the Annual Bonus Plan and exercised its negative discretion to adjust the bonus pool amounts on the basis of achievement of the Annual Bonus Plan criteria.

The table below shows the target annual bonus opportunities for each of the named executive officers for 2017. Target amounts for the named executive officers are based on their respective target bonus percentage multiplied by the amount of base salary paid to the executive for the year (taking into account salary increases effective as of June 1, 2017 and Mr. Kenney’s salary and target bonus percentage increase effective May 4, 2017). Based on the pay study for 2017, the target level of annual bonus opportunity for the named executive officers ranged from 2.5% above to 4.5% below (2.9% below on an aggregate basis) the 65th percentile of the annual bonus opportunity for executives in comparable positions in the 2017 Peer Group.

Named Executive Officer	2017 Target Bonus Opportunity (as a % of Base Salary)	2017 Target Bonus Opportunity (\$) ⁽¹⁾
Gregg C. Sengstack	100%	730,417
John J. Haines	75%	302,764
Robert J. Stone	75%	288,169
DeLancey W. Davis	75%	268,241
Donald P. Kenney	75%	273,754

(1) Based on base salary actually paid for fiscal 2017.

In the first quarter of 2017, the Committee approved financial performance targets to be used under the Annual Bonus Plan for 2017. The corporate-wide financial performance targets for the named executive officers were return on invested capital (ROIC) and earnings per share (EPS). The Committee selected ROIC due to the belief that it is a primary and consistent measure that many of the Company's shareholders use to evaluate performance and compare the Company to its peer group. The Committee also believes that EPS is an important indicator of profitability that aligns the interests of the executive officers with those of the Company's shareholders. In addition, the CFO had a portion of his target annual bonus based on fixed cost management. For the three business unit leaders, financial performance targets also included: (i) the business unit's operating income after non-GAAP adjustments (Operating Income), and (ii) for Messrs. Stone and Kenney, inventory turns. The Operating Income goal for Mr. Davis was evenly split between the Headwater Companies and North America Water Systems, and Mr. Kenney's goals were based entirely on North America Water Systems. These corporate metrics were the same as those used in 2016 (except Mr. Davis' target did not include inventory turns). While the Committee continues to set individual goals for executives and assess their achievement for purposes of merit increases and promotions, individual performance will not impact the annual bonus outside of extraordinary circumstances.

With respect to each performance measure, the Committee set a threshold level of performance below which no bonus is earned for that performance measure. For each of the financial-based measures, the performance threshold was set at 80% of the target performance level. Payout for threshold level performance was set at 33% of target. For every 1% by which performance exceeds the threshold level, the actual payout level increases 3.35% up to the target level (i.e., 100% of target payout), and for every 1% by which performance exceeds the target level, up to 120% of the target, the actual payout increases 5% up to the maximum performance level (i.e., 200% of target payout).

The performance measures, and the relative percentage of the 2017 target bonus opportunity assigned to each performance measure, were as follows:

Performance Measure	Gregg C. Sengstack	John J. Haines	Robert J. Stone	DeLancey W. Davis	Donald P. Kenney
ROIC	50%	45%	25%	25%	25%
EPS	50%	45%	25%	25%	25%
Business Unit Operating Income (1)			40%	50%	40%
Fixed Costs		10%			
Inventory Turns			10%		10%

The Business Unit Operating Income goal for Mr. Davis is split evenly between Headwater Companies and North America Water Systems to reflect his transition to President of Headwater Companies. Mr. Kenney's Business Unit performance measures were based entirely on North America Water Systems.

The chart below sets forth the threshold, target and maximum performance levels for 2017 and the actual level of attainment for ROIC, EPS, fixed costs, and inventory turns and for all five performance goals, the percentage at which target was attained. The performance goals were established assuming the goals would be adjusted for certain discrete items. Accordingly, with the approval of the Committee, the following items were excluded in calculating ROIC and EPS: restructuring expense, which decreased operating income by \$4.3 million and EPS by \$0.06; and the impact on the income tax expense of the U.S. Tax Cuts and Jobs Act, which decreased EPS by \$0.21. The “Actual” results shown in the table reflect these adjustments where appropriate.

The Company does not publicly report Operating Income by business units below the operating segment level given the size of the business units as compared to its competitors and the potential for competitive harm. The Operating Income and other goals were set at the beginning of 2017 and the Committee believed at the time that it would require a high degree of execution of the 2017 business plan in order to attain these goals.

Performance Goal Achievement	Threshold	Target	Maximum	Actual	% of Attainment of Target
ROIC	12.6%	15.7%	18.8%	13.1%	83.4%
EPS (\$)	1.44	1.80	2.16	1.92	106.7%
Business Unit Operating Income	—	—	—	—	61.7% - 99.5% ⁽¹⁾
Fixed Costs (In millions \$)	57.0	47.5	38.0	45.5	104.2%
Haines					
Inventory Turns					
Stone	2.31	2.89	3.47	2.54	87.9%
Kenney	3.40	4.25	5.10	2.01	47.3%

(1) The percentage of attainment of target results for the business unit Operating Income goals represents the range of results for the various business units.

Mr. Sengstack evaluated the extent to which the other named executive officers attained their individual strategic goals. The annual bonus plan has a discretionary adjustment component of a positive or negative 20%. The intended application of this discretionary adjustment component is reserved, in part, for “above and beyond” accomplishments based on individual achievements, or extraordinary events outside of the executive’s control despite exceptional performance. The Committee, based on its review of Mr Sengstack’s assessment, approved a discretionary bonus adjustment resulting in an additional \$40,000 payout to Mr. Davis due in part to his extraordinary performance in 2017. The Committee did not make any other changes to the bonus payouts to any other named executive officers, and, with respect to all of the other named executive officers, the entire payments were based on the pre-established financial goals.

Based on the results summarized above, the following table sets forth the actual bonus payouts for each named executive officer as a percentage of his target opportunity.

Executive	Payout Percentage (% of Target)
Gregg C. Sengstack	89%
John J. Haines	92%
Robert J. Stone	50%
DeLancey W. Davis	84%
Donald P. Kenney	84%

For additional information about the specific awards made to the named executive officers for 2017 pursuant to the above criteria, see the “Non-Equity Incentive Plan Compensation” column of the Summary Compensation Table on page 30.

Long-Term Incentive Compensation

The Committee grants equity incentives to its executive officers to more closely align the executives' compensation with the return received by the Company's shareholders, to offer an incentive for long-term performance, to provide a retention incentive and to encourage stock ownership. The regular cycle long-term incentive awards to executive officers generally include a combination of performance share units, stock options and restricted stock/units. (Retirement eligible executives, including the named executive officers, receive restricted stock units instead of restricted stock because, unlike restricted stock units, restricted stock grants to a retirement eligible individual results in the early recognition of income even though the individual

has not actually retired and received the stock subject to awards.)

LTI Award Target Values

In determining the size of equity grants made to the named executive officers, the Committee uses the pay study provided by Meridian as a guide. The Committee then considers other important factors such as experience level and individual performance to approve the long-term incentive value to be granted to each named executive officer.

The following table shows the 2017 targeted economic value for the named executive officers. Based on the pay study for 2017, total targeted long-term incentive compensation to the named executive officers for 2017 ranged from 8.0% above to 11.7% below (7.4% below on an aggregate basis) the targeted level of long-term incentive compensation for executives in comparable positions in the 2017 Peer Group.

Named Executive Officer	Targeted Economic Value for 2016 (\$)
Gregg C. Sengstack	2,200,000
John J. Haines	685,000
Robert J. Stone	480,000
DeLancey W. Davis	402,000 ⁽¹⁾
Donald P. Kenney	425,000 ⁽¹⁾

(1) The Company completed its acquisition of the remaining interests in the Headwater Companies in April 2017. As part of the integration process, Mr. Davis became President of the Headwater Companies and Mr. Kenney replaced Mr. Davis as President of North America Water Systems. Mr. Kenney's appointment moved him to a larger role that increased the market competitive level of his target compensation, resulting in increases in target salary, bonus and long-term compensation, as reflected in the table above. Mr. Davis' move was viewed more as a lateral change which did not materially change the market competitive level of compensation or his target compensation, but given the strategic importance of this venture, the Company granted him a performance-based equity award in April (which is not included in the table above).

LTI Award Mix

Based on a review of market data and input from Meridian, the Committee determined to deliver the targeted economic value of long-term incentives to the named executive officers as follows: 40% in the form of stock options; 30% in the form of restricted stock (or restricted stock units); and 30% in the form of performance share units. All three long-term incentive components are used to align the interests of the named executive officers with those of shareholders. Stock options provide an element of risk to the executives in that value is created for the executive only when the stock price increases, while restricted stock and restricted stock units provide executives with outright value which supports their retention and helps manage the potential increased dilution that would result in using only options. Through the use of performance share units, the Committee can focus the executives on one or more select performance metrics deemed to be critical to driving Company performance and, in turn, increasing shareholder value.

Special Equity Awards

In February 2017, the Committee approved the targeted economic value for Mr. Davis' and Mr. Kenney's 2017 LTI awards at \$402,000 and \$270,000, respectively, which were granted based on the existing mix of components (i.e., 40% stock options, 30% RSUs and 30% performance share units). The Compensation Committee made additional special grants to each of them in April, 2017. In connection with his appointment as President, Headwater Companies, Mr. Davis received an award of performance-based restricted stock units with an economic value of \$200,000, which

vests in April 2020 based on the level of attainment of a return on invested capital goal for the Headwater Companies. In connection with his appointment as VP and President, North America Water Systems, Mr. Kenney received an award of service-based restricted stock units with an economic value of \$155,000, which vests in February 2021.

Performance Share Units

The performance share units vest based solely on the aggregate change in the Company's consolidated normalized

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EBITDA (adjusted for certain non-recurring items) relative to the aggregate change in the consolidated normalized EBITDA reported by companies in the S&P Small Cap 600® Industrials Index (adjusted for non-recurring items) over a three-year performance period. For purposes of determining this aggregate increase, a target dollar increase in adjusted operating income is established for the Company for each year of the three-year performance period based on the annual percentage increase of the S&P 600® Industrials Index adjusted operating income from the base year. The annual target amounts are then aggregated to calculate the cumulative three-year target dollar increase. The actual cumulative growth of the Company's adjusted operating income (in dollars) over the performance period will be compared to the target level of cumulative growth in adjusted operating income based on the increases relative to the companies in the S&P Small Cap 600® Industrials Index over the performance period. The Committee believes that operating income is a relevant benchmark to gauge Company performance over time against a broad index of similarly situated manufacturing firms.

For performance share units granted in 2017, the applicable performance period is January 1, 2017 through December 31, 2019. Performance share units will be earned based on the following:

Performance Level (1)	Aggregate Actual Change for Company Relative to Targeted Change	Number of Performance Share Units Earned (as a % of Target)
Below Threshold	<75%	0%
Threshold	75%	50%
Target	100%	100%
Maximum	125% (or more)	200%

(1) Performance between threshold and target, and target and maximum will be interpolated on a straight-line basis. Earned performance share units will be paid out in shares of Company stock. Any dividends declared during the performance period will accrue and be paid out in cash at the end of the performance period based on the number of performance share units actually earned.

For additional information about the material terms of these awards, see the narrative disclosure under the Summary Compensation Table.

Performance Share Units Earned in Fiscal 2017

The three-year performance period for the performance share units awarded in 2015 ended on December 31, 2017. The base year for measuring the aggregate change in the adjusted operating income for both the Company and the S&P 600® Industrials Index in each year of the performance period was 2014. The annual change in adjusted operating income for each year in the performance period for the S&P 600® Industrials Index was 11.4%, 17.6% and 26.8%*, which represents the respective annual target levels for the Company. The following table provides the threshold, target and maximum performance levels (based on the table above) for the performance period:

	Year 1 Target (Fiscal 2015)	Year 2 Target (Fiscal 2016)	Year 3 Target (Fiscal 2017)
Base Year Company Adjusted OI	\$116.7 million	\$116.7 million	\$116.7 million
Target Change in Adjusted OI (over Base Year)	11.4% (\$13.2 million)	17.6% (\$20.5 million)	26.8% (\$31.3 million)*
Target Level of Adjusted OI for Relevant Period	\$129.9 million	\$137.2 million	\$148.0 million*

As a result, (i) the Company's target level of aggregate adjusted operating income over the performance period was \$415.1* million (\$129.9 million + \$137.2 million + \$148.0* million) and (ii) the threshold level was calculated as \$311.3 million (75% of target) and (iii) the maximum level was calculated as \$518.9 million (125% of target). The Company's actual aggregate adjusted operating income for the performance period was \$314.9 million, resulting in an estimated 75.9% attainment of target ($\$314.9 \div \415.1) and 51.7% of the targeted level of the performance share units were estimated to be earned.

*The numbers for 2017 are based on all but two companies in the Index reporting 2017 adjusted operating income. It is expected that final results will not increase the target performance share unit payout past 53.6%. If the Company were to payout the target performance share units at 53.6%, it would result in an aggregate of 604 additional shares earned by the executive officers, of which 518 would be earned by the named executive officers.

LTI Award Grant Practices

Equity grants are typically made on an annual basis at the Committee's meeting following the public release of the Company's fiscal year-end results. Stock options are valued as of the date of grant using a modified Black-Scholes methodology. They have an exercise price equal to 100% of the fair market value of the Company's common stock on the date of grant and vest over four years, at 25% per year. Restricted stock, restricted stock units and performance share units are valued based on the closing price of the Company's common stock on the date of grant. The restricted stock and restricted stock units generally vest 100% on the fourth anniversary of the grant date. Performance share units are earned based on the level of performance attainment against the pre-established earnings goal (relative to the S&P Small Cap 600® Industrials Index) set by the Committee over a three-year performance period.

Stock Ownership Guidelines

The Company's stock ownership guidelines for its executives require executives to maintain direct ownership in the Company's common stock in amounts as follows:

- CEO: six times annual base salary;
- Senior Vice Presidents: three times annual base salary; and
- Corporate Vice Presidents: one times annual base salary.

Executives have five years from the date appointed to their position to comply with these guidelines. Stock options do not count toward these guidelines. All shares held directly or beneficially, including shares of restricted stock, restricted stock units, shares of stock acquired upon exercise of stock options and shares credited under the Retirement Program, count toward these guidelines. Performance share units do not count toward these guidelines until, and only to the extent, they are settled in actual shares. Until an executive attains the requisite stock ownership, the executive must retain 50% of all shares acquired under the Company's compensation plans. As of the end of 2017, all named executive officers met their respective stock ownership requirements.

The Company's stock ownership guidelines for the non-employee directors require them to maintain direct ownership in the Company's common stock with a value equal to five times their annual retainer. An individual has five years to comply with these guidelines. All shares held directly or beneficially, including stock awards, shares acquired upon exercise of stock options and stock units credited under the Non-Employee Directors' Compensation Plan, count toward these guidelines. Stock options do not count toward these guidelines. As of the end of 2017, all non-employee directors either meet or exceed these guidelines.

Incentive Compensation Recoupment Policy

The Company's Incentive Compensation Recoupment Policy permits the Board to recoup from an executive cash or equity-based compensation granted on or after January 1, 2014 in the event that the executive engages in misconduct that results in a restatement of the Company's financial statements or a material loss or damage to the Company. Recoupment covers any incentive compensation that is awarded or paid or that vests within 36 months following the occurrence of the misconduct. Misconduct includes an act of fraud, dishonesty or recklessness, the material breach of a fiduciary duty, a knowing material violation of a Company policy, or a knowing material violation of a confidentiality, non-solicitation or non-competition covenant.

Retirement Plans

The Company has various retirement plans in which certain of the named executive officers currently participate. These plans reflect a redesign of the Company's retirement program in 2011, which was undertaken to increase standardization of retirement plans among salaried U.S. employees and to reduce funding volatility while retaining a competitive retirement program to attract and retain qualified employees. The redesign includes the transition from defined benefit pension plans to defined contribution pension plans and increases to the benefits provided under the defined contribution plans.

Pension Plan

Basic Retirement Portion

The Basic Retirement portion of the Pension Plan generally covers employees in the U.S. A participant retiring at age 65 is eligible to receive a monthly single life annuity equal to his credited service times a flat dollar amount (\$25 for most U.S. salaried employees). Participants age 55 or older with 10 years of vesting service may retire prior to age 65 with a reduced benefit. Participants who were younger than 50 as of December 31, 2011 (which include Messrs. Stone and Davis) stopped accruing benefits as of such date, and participants 50 or older as of such date (which include Messrs. Sengstack and Kenney) accrued benefits until December 31, 2016. Mr. Haines is not eligible to participate in this portion of the Pension Plan because he was hired after February 21, 2006 when it was closed to all new salaried employees.

Cash Balance Portion

The Cash Balance portion of the Pension Plan covers most salaried employees in the U.S. All participants stopped accruing benefits as of December 31, 2011. At termination of employment a participant is eligible to receive the amount credited to his account or a monthly single life annuity based on the amount credited to his account. The account consists of: (i) an opening balance for a participant at December 31, 1999 equal to the present value of the participant's accrued benefit earned at December 31, 1999 under the applicable prior pension plan; (ii) annual Company contributions through 2011 ranging from 3% to 12% of a participant's compensation and transitional credits for certain participants from 2000-2004 equal to 6% of compensation; and (iii) interest credits, which continue until distribution of the account, based on the 30-year Treasury rate (subject to a minimum of 4.5%). All named executive officers participate in the Cash Balance portion.

Pension Restoration Plan

In order to provide eligible executives with the portion of their retirement benefits that cannot be paid under the tax-qualified Pension Plan due to IRS limits on compensation, the Company maintains the Pension Restoration Plan. All participants other than Mr. Sengstack (which include Messrs. Haines, Stone and Davis) stopped accruing benefits as of December 31, 2011, and effective as of January 1, 2012, their benefits were transferred to the Supplemental Retirement and Deferred Compensation Plan. Mr. Kenney does not participate in the Pension Restoration Plan because it was frozen before he became an executive officer.

Retirement Program

The Retirement Program is a tax-qualified 401(k) plan that covers the majority of all U.S. employees, including the named executive officers. A participant can elect to defer 1-50% of his compensation, in accordance with the Retirement Program plan documents, up to a maximum in 2017 of \$18,000, or \$24,000 if age 50 or over, and the Company will make a matching contribution equal to 100% of the first 2% of the participant's deferral contributions plus 50% of the next 3% of the participant's deferral contributions, for a total of 3.5% of the participant's compensation.

The Company also makes annual service-based contributions to most participants, ranging from 3% to 9% of a participant's compensation, depending on his or her years of service with the Company (3% in the case of hourly employees). The service-based contribution generally is made to all employees. Compensation taken into account under the Retirement Program is limited by the Internal Revenue Code (the limit for 2017 was \$270,000). The Retirement Program also holds employees' accounts that were held in the Company's Employee Stock Ownership Plan, which was merged into the Retirement Program in 2010.

Supplemental Retirement and Deferred Compensation Plan

The Company maintains the Supplemental Retirement and Deferred Compensation Plan (the "Supplemental Retirement

Plan”), which provides an additional benefit to attract and retain key executives. The Supplemental Retirement Plan permits executive officers of the Company to elect each year to defer up to 90% of their bonus awards and up to 50% of their salary. Deferred amounts are credited to a bookkeeping account maintained on behalf of the participant.

The Company provides two types of contributions under the Supplemental Retirement Plan to the named executive officers other than Mr. Sengstack, who continues to participate in the Pension Restoration Plan. These contributions include: (i) the portion of the service-based contribution that could not be made under the Retirement Program due to IRS limitations; and (ii) a supplemental contribution of 2% to 4% of a participant’s compensation depending on years of service. In addition, participants who stopped accruing benefits under the Pension Restoration Plan (which includes Messrs. Haines, Stone and Davis) had their benefit transferred to the Supplemental Retirement Plan as of January 1, 2012. A participant’s deferral account, service contribution account and transferred Pension Restoration Account are credited with earnings and losses based on the investment funds made available under the Plan. Earnings on the supplemental contribution account will follow the methodology used in the now-frozen Cash Balance Plan, which credits earnings based on the 30-year Treasury rate, but not less than 4.5%.

A participant’s accounts under the Supplemental Retirement Plan generally will be distributed to him in the seventh month following termination of employment. No named executive officer elected to contribute to the Supplemental Retirement Plan in 2017, and Messrs. Haines, Stone, Davis and Kenney received Company contributions.

Perquisites, Other Personal Benefits, and Other Compensation

The Company generally does not provide the named executive officers with perquisites or other personal benefits such as Company vehicles, club memberships, financial planning assistance or tax preparation. The Company offers an executive annual physical program which is available to the named executive officers. The named executive officers other than Mr. Sengstack receive a Medicare tax reimbursement relating to the annual Company contributions in the Supplemental Retirement Plan (in the case of Messrs. Haines, Stone, Davis and Kenney). In connection with his appointment as President, Headwater Companies, Mr. Davis relocated to the Denver, Colorado area. The Company is providing him with relocation benefits for three years and tuition reimbursement for two years. These benefits are further detailed in the Summary Compensation Table of the Proxy Statement.

Employment Agreements

The Company has employment agreements with Messrs. Sengstack and Haines. The agreements are three-year agreements, which automatically extend for an additional year unless either party gives notice not to renew. The agreements provide the following:

If the agreement is not renewed by the Company, and the executive terminates his employment, the executive is entitled to a payment equal to 12 months of salary and the target bonus, a bonus pro-rated for the time of employment in the current year, continued participation in the Company’s health and welfare plans for 12 months, a lump sum payment equal to the additional benefits that would have accrued under the Company’s retirement plans for 12 months, and immediate vesting of all stock options and pro-rata vesting of restricted stock, restricted stock units and performance share units (based on actual performance).

If the executive’s employment is terminated prior to a change in control without cause by the Company or for good reason by the executive (as defined in the agreements), Mr. Haines is entitled to the same benefits as described above, and Mr. Sengstack is entitled to severance based on 18 months of continued salary, 1-1/2 times the target bonus, and 18 months of health and welfare plan coverage and retirement plan payment.

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If the executive's employment is terminated without cause by the Company or for good reason by the executive within two years following a change in control of the Company, the executive is entitled to receive a payment equal to 36 months of continued salary, three times the target bonus (24 months of salary and two times bonus for Mr. Haines), a bonus pro-rated for the time of employment in the current year, continued participation in the Company's health and welfare plans for 36 months (24 for Mr. Haines) and a lump sum payment equal to the additional benefits that would have been accrued under the Company's retirement plans (other than the Pension Restoration Plan) for 36 months (24 months for Mr. Haines), and immediate vesting and cash-out of outstanding options and vesting of restricted stock, restricted stock units and performance share units (at target level). With respect to any 280G excise tax, each executive can elect to either (i) receive the full amount of severance benefits and be responsible for paying any excise tax or (ii) receive severance benefits that are reduced to the maximum amount that can be paid without triggering the excise tax.

The employment agreements contain a restrictive covenant that prohibits the executives from competing with the Company and soliciting the Company's customers and employees for 24 months following termination.

Employment Security Agreements

The Company has entered into employment security agreements ("ESAs") with Messrs. Stone, Davis and Kenney, as well as certain other executives that provide benefits upon a change in control of the Company, in order to extend these benefits to some executives who are not party to employment agreements.

Each ESA provides that if within two years after a change in control the Company terminates the executive's employment for any reason other than cause, or the executive terminates his employment with the Company for good reason (as defined in the ESA), the executive is entitled to the following:

A lump sum payment equal to the sum of two times the executive's base salary, a pro-rata portion of the executive's target bonus for the current year (based on the termination date), and two times the executive's target bonus for the current year;

A lump sum payment equal to the increase in benefits under the Company's tax-qualified and supplemental retirement plans that results from crediting the executive with additional service for 24 months;

Immediate vesting of all stock-based awards and deemed satisfaction of performance goals at target levels;

Continued coverage under the Company's health and welfare plans for 24 months following termination; and

12 months of executive outplacement services (not to exceed \$50,000) with a professional outplacement firm selected by the Company.

The ESAs contain a restrictive covenant that prohibits the executive from soliciting employees of the Company for 18 months following termination.

The Company determined that these agreements serve the Company's goal of attracting and retaining key executives. By providing these agreements the executives are able to remain focused on the best interests of the shareholders in the event of a potential change-in-control situation. Additionally, these agreements provide benefits which strive to retain the executives during a transitional period.

Confidentiality and Non-Compete Agreements

Each named executive officer has signed a confidentiality and non-compete agreement with the Company. Under this agreement, they agree to maintain all confidential information of the Company, and for a period of 18 months after termination of employment from the Company they agree not to, directly or indirectly, participate in the design, development, manufacture, or distribution of electrical submersible motors or related products in competition with the Company. These agreements are in addition to the restrictive covenants set forth in the employment agreements and ESAs.

Deductibility of Executive Compensation

Section 162(m) of the Internal Revenue Code as in effect for 2017 limited the deductibility for federal income tax purposes of executive compensation paid to the CEO and the three other most highly compensated officers other than

the chief financial officer of a public company to \$1,000,000 per year, but contained an exception for certain performance-based compensation. While base salary, time-based restricted stock and restricted stock units, by their nature, do not qualify as performance-based compensation under Section 162(m), the Committee has structured the annual cash incentive awards under the Annual Bonus Plan and the grant of stock options to qualify as performance-based compensation under Section 162(m). The Company expects that all of the compensation paid in 2017 will be deductible by the Company for federal income tax purposes.

The Tax Cuts and Jobs Act of 2017 amended Section 162(m) to cover a public company's chief financial officer and eliminate the performance based exception, beginning in 2018. Accordingly, the annual cash incentive awards, stock options and performance shares granted in 2018 and later years will no longer qualify for this exception. In addition, compensation paid to a covered employee after termination of employment will also be subject to the million dollar limitation. The annual cash

incentive paid for 2017 will still be covered by the performance-based exception. Under a transition rule, outstanding stock options and performance share awards and post-termination compensation will not be subject to Section 162(m) as amended to the extent such compensation is considered paid pursuant to a binding written contract in effect as of November 2, 2017.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth compensation information for the Company's Chief Executive Officer, Chief Financial Officer and the three other most highly compensated executive officers ("named executive officers") for the fiscal years ended December 31, 2017, December 31, 2016 and January 2, 2016.

Name and Principal Position	Year	Salary (\$) ⁽¹⁾	Time-Based		Performance-Based		Non-Equity Incentive Plan Compensation (\$) ⁽⁶⁾	Change in Pension Value & Nonqualified Deferred Compensation Earnings (\$) ⁽⁷⁾	All Other Compensation (\$) ⁽⁸⁾	Total (\$)
			Bonus (\$) ⁽²⁾	Stock Awards (\$) ⁽³⁾	Stock Awards (\$) ⁽³⁾⁽⁴⁾	Option Awards (\$) ⁽⁵⁾				
Gregg C. Sengstack, Chairman & CEO	2017	730,417	—	660,007	660,007	875,850	649,560	1,178,605	56,680	4,811,126
	2016	694,458	—	554,992	554,992	871,415	853,420	177,937	33,179	3,740,393
	2015	668,958	80,000	525,005	525,004	816,098	—	589,151	48,061	3,252,277
John J. Haines VP & CFO	2017	403,685	—	205,514	205,514	273,969	278,906	3,820	78,709	1,450,117
	2016	384,096	—	173,986	173,986	273,203	350,584	2,675	39,004	1,397,534
	2015	365,714	—	165,015	165,015	256,486	33,426	—	50,113	1,035,769
Robert J. Stone Senior VP and President, International Water Systems	2017	384,226	—	143,986	143,986	191,983	145,209	22,771	88,800	1,120,961
	2016	372,935	—	139,497	139,497	219,029	323,642	14,456	54,610	1,263,666
	2015	361,992	33,000	134,983	134,982	209,848	—	—	71,878	946,683
DeLancey W. Davis VP and President, Headwater Companies	2017	357,654	40,000	120,608	320,621	160,779	185,122	11,006	84,416	1,280,206
	2016	347,127	—	116,989	116,989	183,705	299,371	7,060	43,763	1,115,004
	2015	336,838	—	113,384	113,383	176,276	29,945	—	51,570	821,396
Donald P. Kenney VP and President, North America Water Systems	2017	365,005	—	235,983	80,982	107,989	229,214	39,523	89,832	1,148,528
	2016	312,552	—	64,499	64,499	101,273	242,665	30,492	60,669	876,649
	2015	302,835	—	62,083	62,082	96,534	77,405	3,909	76,998	681,846

(1) Salary adjustments for 2017 were effective as of June 1, 2017.

These amounts represent discretionary bonuses paid to Messrs. Sengstack, Stone, and Davis. The Committee approved these discretionary bonuses to Messrs. Sengstack and Stone due in part to their extraordinary

(2) performance in 2015 and to Mr. Davis due in part to his extraordinary performance in 2017. A description of the discretionary adjustment component of the Annual Cash Incentive Award can be found in the "Compensation Discussion and Analysis" section of this Proxy Statement.

These amounts represent the grant date fair value, computed in accordance with FASB Codification Topic 718, of the restricted stock and performance share unit awards granted in 2017 to the named executive officers. The value

(3) of the performance share units is based upon the probable outcome of the performance conditions. See Note 15 of the Company's Annual Report to Shareholders for the fiscal year ending December 31, 2017 for a complete description of the assumptions used for these valuations.

(4)

The grant date value of the performance shares granted in 2017, assuming the performance conditions were met at the maximum level, was: Mr. Sengstack: \$1,320,014; Mr. Haines: \$411,028; Mr. Stone: \$287,973; Mr. Davis: \$641,241; and Mr. Kenney: \$161,964.

(5) These amounts represent the grant date fair value, computed in accordance with FASB Codification Topic 718, of the stock options granted to the named executive officers in 2017. See Note 15 of the Company's Annual Report to Shareholders for the fiscal year ending December 31, 2017 for a complete description of the assumptions used for these valuations.

These amounts represent the bonuses paid to the named executive officers under the Company's performance-based (6) Executive Officer Annual Incentive Cash Bonus Program. A description of this program can be found in the "Compensation Discussion and Analysis" section of this Proxy Statement.

These amounts represent the annual change in the present value of each named executive officer's benefits under (7) the Company's defined benefit pension plans, which calculations use the same assumptions required to be used for financial reporting purposes. Benefits under the pension plans were frozen as of December 31, 2011 for most participants, including Messrs. Haines, Stone and Davis.

These amounts for 2017 represent (i) Company contributions under the Retirement Program: Mr. Sengstack: \$33,750; Mr. Haines: \$22,950; Mr. Stone: \$28,350; Mr. Davis: \$22,950; and Mr. Kenney: \$33,750; (ii) Company contributions under the Supplemental Retirement and Deferred Compensation Plan: Mr. Haines: \$54,384; Mr. (8) Stone: \$58,965; Mr. Davis: \$45,632; and Mr. Kenney: \$54,699; (iii) a Medicare tax reimbursement related to the non-qualified retirement plans: Mr. Sengstack: \$22,864; Mr. Haines: \$1,309; Mr. Stone: \$1,419; Mr. Davis: \$15,768; and Mr. Kenney: \$1,316; and (iv) the Company's life insurance contributions of \$66 for each named executive officer.

Restricted Stock/Restricted Stock Unit/Performance Stock Unit Awards

The 2017 restricted awards were granted on February 24, 2017 and February 23, 2017 for Mr. Sengstack and the remaining Named Executive Officers, respectively. The awards consisted of 15,349 restricted stock units and 15,349 performance share units awarded to Mr. Sengstack; 4,870 restricted stock units and 4,870 performance share units awarded to Mr. Haines; 3,412 restricted stock units and 3,412 performance share units awarded to Mr. Stone; 2,858 restricted stock units and 2,858 performance share units awarded to Mr. Davis; and 1,919 restricted stock units and 1,919 performance stock units awarded to Mr. Kenney. In connection with his appointment to President of Headwater Companies, Mr. Davis received an additional grant on April 10, 2017 of 4,785 performance share units. In connection with his appointment to VP and President of North American Water Systems, Mr. Kenney received an additional grant on May 4, 2017 of 4,026 restricted stock units.

The 2016 restricted awards granted on February 25, 2016 consisted of 19,085 restricted stock units and 19,085 performance share units awarded to Mr. Sengstack; 5,983 restricted stock units and 5,983 performance share units awarded to Mr. Haines; 4,797 restricted shares and 4,797 performance share units awarded to Mr. Stone; 4,023 restricted shares and 4,023 performance share units awarded to Mr. Davis; and 2,218 restricted stock units and 2,218 performance stock units awarded to Mr. Kenney.

The 2015 restricted awards granted on February 26, 2015 consisted of 14,317 restricted stock units and 14,317 performance share units awarded to Mr. Sengstack; 4,500 restricted stock units and 4,500 performance share units awarded to Mr. Haines; 3,681 restricted shares and 3,681 performance share units awarded to Mr. Stone; 3,092 restricted shares and 3,092 performance share units awarded to Mr. Davis; and 1,693 restricted stock units and 1,693 performance stock units awarded to Mr. Kenney.

Restricted stock and restricted stock unit awards vest on the fourth anniversary of the grant date (subject to accelerated pro rata vesting upon death, disability, or retirement and accelerated vesting on a change in control). Performance share units granted in 2017 vest at the end of the three-year performance period ending December 31, 2019, depending on the level of achievement of the performance goals (subject to pro rata vesting at the end of the performance period upon death, disability or retirement and accelerated vesting at target level upon a change in control). Dividends are paid on restricted stock awards and dividend equivalents are paid on restricted stock unit awards. Dividend equivalents are paid on performance share unit awards only to the extent the awards vest.

Option Awards

The 2017 grants to the named executive officers consisted of options for 70,569 shares to Mr. Sengstack; 22,389 shares to Mr. Haines; 15,689 shares to Mr. Stone; 13,139 shares to Mr. Davis; and 8,825 shares to Mr. Kenney. These grants had an exercise price of \$43.00 and \$42.20 for Mr. Sengstack and the remaining named executive officers, respectively.

The 2016 grants to the named executive officers consisted of options for 94,952 shares to Mr. Sengstack; 29,769 shares to Mr. Haines; 23,866 shares to Mr. Stone; 20,017 shares to Mr. Davis; and 11,035 shares to Mr. Kenney. These grants had an exercise price of \$29.08.

The 2015 grants to the named executive officers consisted of options for 66,144 shares to Mr. Sengstack; 20,788 shares to Mr. Haines; 17,008 shares to Mr. Stone; 14,287 shares to Mr. Davis; and 7,824 shares to Mr. Kenney. These grants had an exercise price of \$36.67.

All of the stock options granted in 2017, 2016 and 2015 vest over four years at 25% per year (subject to accelerated vesting upon death, disability, retirement or a change in control) and expire after ten years.

Change in Pension Value and Nonqualified Deferred Compensation Earnings

In connection with the redesign of the Company's retirement program, effective as of December 31, 2011, all named executive officers other than Messrs. Sengstack and Kenney stopped accruing benefits under the Pension Plan and/or the Pension Restoration Plan. Descriptions of these retirement plans, as in effect before and after December 31, 2011, and the level of participation by the named executive officers, can be found in the 2017 Pension Benefits Table and accompanying narrative included in this Proxy Statement.

2017 Grant of Plan Based Awards Table

The following table sets forth the plan-based grants made during the fiscal year ended December 31, 2017.

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards ⁽¹⁾			Estimated Possible Payouts Under Equity Incentive Plan Awards ⁽²⁾			All Other Stock Awards: Number of Shares of Stock or Units (#) ⁽³⁾	All Other Option Awards: Number of Securities Underlying Options (#)	Grant Date	Exercise or Base Value Price of Option Stock Awards and Option Awards (\$/sh) ⁽⁴⁾	Fair Value of Option Awards (\$) ⁽⁵⁾
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)					
Gregg C. Sengstack	2/24/2017	241,038	730,417	876,500								
	2/24/2017				7,675	15,349	30,698					