FRANKLIN ELECTRIC CO INC
Form DEF 14A
March 16, 2010

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 x

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))

x 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)

PAYMENT OF FILING FEE (CHECK THE APPROPRIATE BOX):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

[Missing Graphic Reference]

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

[Missing Graphic Reference]

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

[Missing Graphic Reference]

(4) Proposed maximum aggregate value of transaction:

[Missing Graphic Reference]

(5) Total fee paid:

[Missing Graphic Reference]

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount previously paid:

[Missing Graphic Reference]

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

[Missing Graphic Reference]

(3) Filing Party:

[Missing Graphic Reference]

(4) Date Filed:

Franklin Electric Co., Inc.

400 East Spring Street
Bluffton, Indiana 46714

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held

April 30, 2010, at 9:00 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 the Hilton Fort Wayne, 1020 South Calhoun Street, Fort Wayne, Indiana on Friday, April 30, 2010, at 9:00 a.m., Eastern Time. The purposes of the meeting are to:

1. Elect R. Scott Trumbull and Thomas L. Young as directors for terms expiring at the 2013 Annual Meeting of Shareholders;
2. Approve the Franklin Electric Co., Inc. Management Incentive Plan;
3. Ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the 2010 fiscal year; and
4. Transact any other business that may properly come before the Annual Meeting or any adjournment or postponement thereof.

Only shareholders of record at the close of business on February 26, 2010, 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. If you do attend, you may nevertheless vote in person which will revoke any previously executed proxy.

By order of the Board of Directors.

John J. Haines
Vice President, Chief Financial
Officer and Secretary

Bluffton, Indiana
March 16, 2010

- 1 -

FRANKLIN ELECTRIC CO., INC.

400 East Spring Street, Bluffton, Indiana 46714

PROXY STATEMENT

Annual Meeting of Shareholders to be Held on April 30, 2010

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"), 400 East Spring Street, Bluffton, Indiana, 46714 for use at the Annual Meeting of Shareholders to be held on April 30, 2010, or any adjournment or postponement thereof. Shareholders were sent Notice of the Annual Meeting, as well as information regarding how to access this Proxy Statement and the Company's 2009 Annual Report, including the financial statements contained therein, beginning on or about March 16, 2010.

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 overview 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. There is no charge for requesting a copy. Requests can be made at the voting website, via telephone, or via email.

Voting by Internet: Use the internet link and control number provided to you on your Notice Card. You may vote until 11:59 p.m., Eastern Time on April 29, 2010. You will need the control number provided on your Notice Card to access the website.

Voting by Telephone: Call the toll-free telephone number provided on your Notice Card. Telephone voting will be available until 11:59 p.m., Eastern Time on April 29, 2010. 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. 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 Employee Stock Ownership Plan and/or Directed Investment Salary Plan will receive a notice and instructions by email or other method that cover the shares credited to their plan 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 approval of Franklin Electric Co., Inc. Management Incentive Plan;
- FOR the ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the 2010 fiscal year; and
- 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. John J. Haines, Vice President, Chief Financial Officer and Secretary, 400 East Spring Street, Bluffton, Indiana 46714, (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 February 26, 2010, 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 23,130,308 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 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 February 26, 2010, unless otherwise noted. The nature of beneficial ownership is sole voting and investment power, unless otherwise noted.

Name and address of beneficial owner	Amount and nature of beneficial ownership	Percent of class
Patricia Schaefer 5400 Deer Run Court Muncie, IN 47304	2,000,084(1)	8.65
Select Equity Group, Inc., jointly with George S. Loening (and related entities) 380 Lafayette Street, 6th Floor New York, NY 10003	1,913,967(2)	8.27
Diane D. Humphrey 2279 East 250 North Road Bluffton, IN 46714	1,838,657(3)	7.95
Invesco, Ltd. 301 West Roosevelt Road Wheaton, IL 60187-5053	1,426,219(4)	6.17
Snyder Capital Management, LP 1 Market Plaza Suite 1200 San Francisco, CA 94105-1012	1,260,027(5)	5.45
BlackRock Inc. 40 East 52nd Street New York, NY 10022	1,183,789(6)	5.12

(1) Pursuant to agreements with Ms. Schaefer, the Company has a right of first refusal with respect to 1,708,040 shares owned by Ms. Schaefer.
(2) According to a Schedule 13G jointly filed with the Securities and Exchange Commission ("SEC"), as of December 31, 2009, Select Equity Group, Inc., Select Offshore Advisors, LLC and George S. Loening have sole investment and voting power with respect to all shares.
(3) Pursuant to agreements with Ms. Humphrey, the Company has a right of first refusal with respect to 1,665,307 shares owned by Ms. Humphrey.
(4) According to a Schedule 13G filed with the SEC, as of December 31, 2009, subsidiaries of Invesco, Ltd. have sole investment and voting power with respect to all shares.
(5) According to a Schedule 13G filed with the SEC, as of December 31, 2009, Snyder Capital Management, LP, and Snyder Capital Management, Inc., filing jointly, have shared investment power with respect to 1,260,027 shares and shared voting power with respect to 1,084,177 shares.
(6) According to a Schedule 13G filed with the SEC, as of December 31, 2009, BlackRock Inc., has sole investment and voting power with respect to all shares.

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" below, and all executive officers and directors as a group, as of February 26, 2010. The nature of beneficial ownership is sole voting and investment power, unless otherwise noted.

Name of beneficial owner	Amount and nature of beneficial ownership	Percent of class
Jerome D. Brady	87,890(1)(2)	*
David T. Brown	0(2)	*
David A. Roberts	19,267(1)(2)	*
David M. Wathen	2,249(2)	*
Howard B. Witt	45,652(1)	*
Thomas L. Young	14,067	*
John J. Haines	20,808 (1)(3)(4)(6)(9)	*
Peter-Christian Maske	131,514(1)(3)(4)(6)(7)	*
Gregg C. Sengstack	279,024(1)(3)(4)(5)(6)(7)	1.21
Robert J. Stone	110,925(1)(3)(4)(6)(7)	*
R. Scott Trumbull	467,053(1)(2)(3)(4)(6)(7)(8)	2.02
Gary D. Ward	46,207(1)(3)(4)(7)	*
All directors and executive officers as a group	1,391,323(1)(2)(3)(4)(5)(6)(7)(8)(9)	6.02

* Less than 1 percent of class

(1) Includes shares issuable pursuant to stock options exercisable within 60 days after February 26, 2010 as follows: Mr. Trumbull, 274,456; Mr. Sengstack, 144,182; Mr. Maske, 38,532; Mr. Brady, 56,000; Mr. Stone, 74,832; Mr. Witt, 36,000; Mr. Roberts, 8,000; Mr. Haines; 7,623; and Mr. Ward, 26,575. All directors and executive officers as a group, 789,504.

(2) Does not include stock units credited to: Mr. Trumbull, 1,930; Mr. Brady, 5,413; Mr. Roberts, 1,162; Mr. Wathen, 14,233; and Mr. Brown, 10,018; pursuant to the terms of the Non-employee Directors' Deferred Compensation Plan described under "Director Compensation."

(3) Includes shares held by the ESOP Trustee as of December 31, 2009: Mr. Trumbull, 1,032; Mr. Sengstack, 7,506; Mr. Maske, 1,906; Mr. Haines, 39; Mr. Stone, 5,255; and Mr. Ward, 6,054. All executive officers as a group, 22,010.

(4) Includes shares held by the 401(k) Plan Trustee as of December 31, 2009: Mr. Trumbull, 1,345; Mr. Sengstack, 6,501; Mr. Maske, 552; Mr. Haines, 1,146; Mr. Stone 6,474; and Mr. Ward 369. All executive officers as a group, 18,657.

(5) Includes restricted shares which vest three years after the grant date as follows: Mr. Sengstack, 4,000. All executive officers as a group, 8,000.

(6) Includes restricted shares which vest at the end of four years as follows: Mr. Haines, 4,000; Mr. Maske, 1,500; Mr. Sengstack, 4,000; Mr. Stone, 4,000; and Mr. Trumbull, 12,500. All executive officers as a group, 32,300.

(7) Includes restricted shares which vest four years after the grant date, subject to the attainment of certain performance goals. If these goals are not attained, the shares will be forfeited, as described in this proxy statement. These restricted shares are as follows: Mr. Trumbull, 16,100; Mr. Sengstack, 3,700; Mr. Maske, 3,700; Mr. Stone 13,700; and Mr. Ward, 2,450. All executive officers as a group, 55,250.

(8) Includes 2,720 restricted shares awarded to Mr. Trumbull, which vest evenly over the next three years.

(9) Includes 8,000 restricted shares awarded to Mr. Haines, which vest four years after the grant date.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors, officers, and greater than 10 percent shareholders to file with the SEC initial reports of ownership and reports of changes in ownership of Common Stock of the Company and to furnish the Company with copies of all Section 16(a) reports they file. Based solely on a review of the copies of these reports furnished to the Company and written representations that no other reports were required to be filed, the Company believes that its directors, officers and greater than 10 percent shareholders complied with all Section 16(a) filing requirements applicable to them during 2009, except that in May 2009, Messrs. Brady, Brown, Roberts, Trumbull and Wathen filed late Forms 4 with respect to a dividend payment within their respective deferred compensation accounts.

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 and 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 plurality of the shares voted (i.e., the two nominees who receive the most votes will be elected).

R. Scott Trumbull and Thomas L. Young have been nominated to serve as directors of the Company for terms expiring in 2013. Messrs. Trumbull and Young are currently directors of the Company. The nominees have indicated their willingness 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.

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 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.

Nominees for terms expiring in 2013

R. Scott Trumbull, Chairman of the Board and Chief Executive Officer of the Company	Age: 61 Director Since: 1998 Principal Occupation: Chairman of the Board and Chief Executive Officer of the Company since 2003. Formerly: Executive Vice President and Chief Financial Officer of Owens-Illinois, Inc., a global manufacturer of glass and plastic packaging products from October 2001 to December 2002, prior thereto, Executive Vice President of International Operations & Corporate Development of Owens-Illinois, Inc. from 1993 to 2001. Directorships – Public Companies: Health Care REIT Relevant Experience: Mr. Trumbull received his bachelors of economics from Denison University and his MBA from Harvard Business School. His positions

at Owens-Illinois gave him significant experience in leading both domestic and global manufacturing businesses. Prior to joining Franklin Electric's board, Mr. Trumbull served as a board member of Calphelon and presently serves on the board of another public company. His experience as a director of the Company since 1998, and as CEO since 2003, means that he brings a unique understanding of the Company's markets and businesses to the Board's deliberations.

Thomas L. Young, Director of the Company	Age: 65 Director Since: 2005 Principal Occupation: President, Titus Holdings Ltd., a private investment company. Formerly: Executive Vice President and Chief Financial Officer, Owens-Illinois, Inc., a global manufacturer of glass and plastic packaging, from 2003 until retirement in 2005, Co-Chief Executive Officer from January 2004 to April 2004. Prior thereto, Executive Vice President, Administration and

General Counsel from 1993 through 2003.
Directorships – Public Companies:
Owens-Illinois, Inc.
Relevant Experience:
Mr. Young received his bachelors degree from St. John's College and his JD with honors from Notre Dame Law School. Mr. Young's background qualifies him to serve as an "audit committee financial expert" on the Audit Committee. He also brings to the Board extensive experience as an executive officer of a publicly traded manufacturing company, as well as experience from present and prior directorships.

Directors with terms expiring in 2011

David T. Brown, Director of the Company	Age: 62 Director Since: 2008 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 April 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 2000. Directorships – Public Companies: BorgWarner, Inc. Relevant Experience: Mr. Brown earned his bachelors degree in 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 chief executive officer, 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.
David A. Roberts, Director of the Company	Age: 63 Director Since: 2003 Principal Occupation: Chairman, President and Chief Executive Officer, Carlisle Companies Incorporated, a diversified global manufacturing company, since June 2007. Formerly: Chairman, President and Chief Executive Officer, Graco, Inc., a manufacturer of fluid-handling equipment and systems, from June 2001 to June 2007. Directorships – Public Companies: Arctic Cat, Carlisle Companies, Inc.; Graco Inc. (2001-2007) Relevant Experience: Mr. Roberts received his bachelors 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, as well as other relevant board experience. His experience on the Board of the Company also helps give the Board a historical perspective in its deliberations.
Howard B. Witt, Director of the Company	Age: 69 Director Since: 1994 Principal Occupation: Retired in 2005. Formerly: Chairman of the Board, President, and Chief Executive Officer, Littelfuse, Inc., a manufacturer of electronic, electrical and automotive fuses, from 1990 to 2004. Directorships – Public Companies: Artisan Funds, Inc. Relevant Experience: Mr. Witt received his bachelors degree from Purdue University. He received his MBA from Northwestern University Business School. Mr. Witt adds to the Board his long experience as CEO of Littlefuse, Inc., a publicly-held manufacturer with U.S. and international operations, as well as other relevant board experience. His

experience on the Board of the Company also helps give the Board a historical perspective in its deliberations.

Directors with terms expiring in 2012

Jerome D. Brady, Director of the Company	Age: 66 Director Since: 1998 Principal Occupation: Retired in 2000. Formerly: President and Chief Executive Officer of C&K Components from 1997-2000, a manufacturer of electro-mechanical switches; prior thereto, President, CEO and Chairman of AM International, Inc., a manufacturer of printing equipment, from 1995-1997. Directorships – Public Companies: Circor International, Inc. Relevant Experience: Mr. Brady received his bachelors of economics from the University of Pennsylvania, Wharton School. He received his MBA in finance from the University of California at Los Angeles, Anderson School. Mr. Brady brings to the Board experience as CEO of two publicly-held, global manufacturing companies, as well as other relevant board experience. 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.
David M. Wathen, Director of the Company	Age: 57 Director Since: 2005 Principal Occupation: President and Chief Executive Officer of TriMas Corporation, a manufacturer of engineered products since January 2009. Formerly: President and Chief Executive Officer, Balfour Beatty, Inc. (U.S. Operations), an engineering, construction and building management services company, from 2002-2006; prior thereto, Operating partner, Questor Management Company from 2000-2002; prior thereto, Group Executive/Corporate Officer, Eaton Corporation from 1997-2000. Relevant Experience: Mr. Wathen received his bachelors degree from Purdue University and his MBA from Saint Francis College. 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.”

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 R. Scott Trumbull, Chairman of the Board and Chief Executive Officer of the Company, 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. Trumbull, has any relationship in the Company, except as a director and shareholder.

Board Leadership Structure and Risk Oversight

The Company is led by R. Scott Trumbull, who has served as Chairman of the Board and Chief Executive Officer since 2003. The Board consists of Mr. Trumbull and six independent 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 regularly reports from the Audit Committee, management and officers regarding risk management. Each of the other two committees also considers risk as it falls within its area of responsibility. The Company does not have a lead director but the non-management directors meet in executive session at each board meeting with a rotating chair.

The Company has employed the same basic leadership structure of a combined chairman and CEO role for over ten years and believes this leadership structure has been and is effective for the Company. Having a combined chairman/CEO role provides the Company with a unified leadership structure that allows it to carry out strategic initiatives. The chairman/CEO is 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 board committees, all of which are chaired by and consist of independent directors, and the full board of directors, provide effective oversight.

Meetings

The Board held five regularly scheduled meetings during 2009. Each director attended at least 75 percent of the aggregate meetings of the Board and Board committees of which he was a member during the period that each served as a director. All directors who were members of the Board at that time attended the 2009 Annual Meeting of Shareholders.

Committees

Audit Committee. The current members of the Audit Committee are Jerome D. Brady (Chairman), David M. Wathen, and Thomas L. Young. 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 “Corporate 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 process. 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 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, 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 2009, there were no such transactions. The Audit Committee held five meetings in 2009.

The Company’s board of directors has determined that Jerome D. Brady, Thomas L. Young, and David M. Wathen, the Audit Committee members, are “audit committee financial experts” as defined by Item 407(d)(5)(ii) of Regulation’s S-K of the Exchange Act, and are “independent” under the applicable NASDAQ rules.

Management Organization and Compensation Committee. The current members of the Management Organization and Compensation Committee (the “Compensation Committee”) are David A. Roberts (Chairman), David T. Brown and Howard B. Witt. 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 “Corporate 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 stock plans; periodically reviews the Company's policies in the area of management benefits; and oversees the Company’s management development and organization structure. The Compensation Committee held six meetings in 2009.

In accordance with the authority under its charter to engage outside consultants, the Committee has used Hewitt Associates, LLC to advise the Committee with respect to the executive compensation program. Hewitt’s fees related to providing advice to the Committee during 2009 were approximately $145,000. Hewitt’s fees related to other services provided to the Company’s management during 2009 were approximately $243,000. The decision to retain Hewitt for these other services has been made by management. In February 2010 Hewitt spun off a portion of its executive compensation practice into a separate, independent entity named Meridian Compensation Partners, LLC (“Meridian”). The Committee has determined that it will make future decisions concerning its engagement of a compensation consultant, and has continued to work with individuals now with Meridian to make early 2010 compensation decisions.

Corporate Governance Committee. The current members of the Corporate Governance Committee (the “Governance Committee”) are David M. Wathen (Chairman), David T. Brown, David A. Roberts, and Thomas L. Young. 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 “Corporate 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 2009.

Director Nomination Process

The Governance Committee is also 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 "Corporate 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 2009, the independent directors met in executive session five times.

Anyone may contact the Board of Directors, any Board Committee, 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.
400 E. Spring Street
Bluffton, IN 46714

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.

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 Company has posted its code of ethics on the Company's website at www.franklin-electric.com. 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 states that it 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 members of the Management Organization and Compensation Committee.

David A. Roberts (Chairman)
David T. Brown
Howard B. Witt

COMPENSATION DISCUSSION AND ANALYSIS

Management Organization and Compensation Committee

The Management Organization and Compensation Committee of the Board of Directors (the "Committee"), consisting entirely of independent directors, has 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 and for the benefit of the Company and its shareholders, the Company's compensation and benefit plans and policies, administer its stock plans (including reviewing and approving equity grants to all executive officers, including the CEO) and review all other compensation decisions relating to the other executive officers of the Company, and approve these decisions for all executive officers (other than the CEO, whose non equity compensation is approved by the Board). In addition, the Committee reviews the organization structure, the recruitment of key employees and management's development plans for key employees, and makes recommendations to the Board with respect to the CEO succession plan. The Committee meets a minimum of three times annually to review executive compensation programs, approve compensation levels and performance targets, approve final executive bonus distributions and review management performance, development and succession.

Compensation Philosophy and Pay Objectives

The Company and the Committee believe that compensation paid to executive officers, including the executive officers named in the Summary Compensation Table of this Proxy Statement (the "named executive officers"), should be closely aligned with the performance of the Company on both a short-term and long-term basis, and that such compensation should assist the Company in attracting and retaining key executives critical to the Company's long-term success. Compensation should be 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 longer-term performance through stock incentive awards designed to closely align an executive's reward to that of the shareholders. For the Company's CEO, the cash incentive compensation is designed to reward Company-wide performance by tying his cash incentive awards to goals such as return on net assets or net invested capital and earnings per share. For other executive officers, the cash incentive compensation is designed to also reward the achievement of specific operational goals within areas under their control, although Company-wide performance is still an important factor. Stock-based compensation has generally been in the form of stock options and restricted stock, to create a strong link to shareholder value creation. The Company also provides retirement benefits for its executive officers and, under certain circumstances described below, severance benefits.

Historically, the Committee generally has set executive pay opportunities based on a number of factors including individual performance, market competitive pay data, experience level of the executive, and other factors deemed appropriate by the Committee. Subject to the factors set forth above, the Committee has used the following pay objectives as a guide, based on an analysis of compensation opportunities of executives in comparable positions at a peer group of companies:

Pay Component	Targeted Pay Objectives
Base Salary	At or above the median
Annual Bonus Opportunity	Between the 60th and 65th percentiles
Long-Term Incentives	Between the 50th and 60th percentiles

Significant 2009 Compensation Actions

In light of the financial conditions that existed at the beginning of fiscal 2009 and as part of its regular review of the executive compensation plans and programs at the Company, the Committee concluded that it would not increase compensation generally for 2009. Accordingly, the Committee did not undertake an analysis of any peer group compensation and did not make any material changes for 2009 to the 2008 compensation opportunities for the named executive officers, other than Mr. Sengstack. Based on its assessment, the Committee took the following actions in 2009:

Action	Considerations	Reason for Action
Postponed 2009 base salary increases for executives, other than Mr. Sengstack	Annual salary increases based on performance and market competitive data will be reinstated in 2010	Cost-cutting initiative due to the economic turbulence at the beginning of the fiscal year
In February, Mr. Sengstack's base salary was increased by approximately 5% to $312,000	Mr. Sengstack's role changed in early 2009 to include oversight responsibility for all international Water Systems businesses outside of the Americas in addition to his continuing responsibility for Fueling Systems	Recognition of increased responsibilities
For business unit leaders, inventory turns was introduced as a metric under the annual bonus plan	To provide an incentive for business unit leaders to control inventory and focus on cash generation through working capital improvements	To better align the goals of the executive with the strategic goals of the Company

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 of Directors, for its review and approval, the annual salary and annual incentive compensation for the CEO.

The CEO reviews the performance of executive officers and makes recommendations to the Committee with respect to the compensation, including annual salary adjustments, short-term incentive opportunities and payments, and grants of long-term incentive awards, of the executives other than the CEO, including the named executive officers. The Committee approves the compensation of these officers taking into consideration the CEO's input and recommendations.

The Committee and the CEO also discuss the financial metrics to be used to measure the performance of the business units and the Company, taking into account the strategic goals of the Company and input from the CFO. The CEO also describes the individual personal goals and strategic initiatives set by him for each executive, to determine the extent to which these individual performance targets for the previous year have been achieved.

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 2009, the CEO attended all of the Committee meetings, but he did not participate in the executive sessions of the Committee in which his own compensation was determined.

Role of Compensation Consultant in Compensation Decisions

The Committee utilizes the Human Resource Department and also has the authority under its charter to engage the services of outside consultants to assist the Committee. In accordance with this authority, the Committee in 2009 continued to engage the services of Hewitt Associates, LLC ("Hewitt"), an independent outside global human resources consulting firm, to conduct reviews of its total compensation program for the CEO and other executive officers and to provide advice to the Committee in the design and implementation of its executive compensation program.

Hewitt is typically invited by the Committee to attend its meetings. During 2009, Hewitt attended three of the Committee's meetings in person or by telephone. In the course of fulfilling its consulting responsibilities, representatives of Hewitt regularly communicate with the Chairman of the Committee outside of regular committee meetings. Representatives of Hewitt meet with the Committee in executive sessions at most meetings. Hewitt also meets with management from time to time to gather information and to review proposals that management may make to the Committee.

Peer Group Benchmarking

As noted previously, the Committee did not review or use benchmarking data in making compensation decisions for 2009, since no general adjustments to executive compensation were planned for 2009. In late 2009, however, the Committee commissioned Hewitt to provide a current pay study to be used for decisions related to 2010 compensation. As part of this process, the Committee reviewed the peer groups used historically and determined to utilize one custom peer group (the "Fiscal 2010 Peer Group") for all executive officers. Hewitt provided a list of potential peer group companies for the Committee to consider. Based on a review of these companies, the Committee approved the 33-company peer group listed below. The peer group companies are primarily engaged in manufacturing, are publicly traded, and have annual revenue between $280 million and $2.6 billion. Due to the differences in size among the companies in the Fiscal 2010 Peer Group, a form of regression analysis was used in the study to adjust the survey results based on Company revenue as compared to revenue of other companies in the peer group and each executive's level of responsibility as compared to executives in comparable positions in the Fiscal 2010 Peer Group.

The companies in the new Fiscal 2010 Peer Group are:

AMCOL International Corporation	Ameron International Corporation	Badger Meter, Inc.
Baldor Electric Company	Ceradyne, Inc.	Clean Harbors, Inc.
Crane Co.	Curtiss-Wright Corporation	Eagle Materials Inc.
ESCO Technologies Inc.	Esterline Technologies Corporation	Global Industries, Ltd.
Graco Inc.	GrafTech International Ltd.	H&E Equipment Services, Inc.
IDEX Corporation	Kaman Corporation	Matthews International Corporation
Mueller Water Products, Inc.	Neenah Paper, Inc.	Nordson Corporation
Orbital Sciences Corporation	Otter Tail Corporation	Pike Electric Corporation
Robbins & Myers, Inc.	Sauer-Danfoss Inc.	Simpson Manufacturing Co., Inc.
Tecumseh Products Company	Valmont Industries, Inc.	Waste Connections, Inc.
Walters Corporation	Watts Water Technologies, Inc.	Woodward Governor Company

Setting Executive Compensation

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 2009 included base salary, an annual cash incentive opportunity, stock options and, in limited situations, restricted stock. 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 business goals set by the Company, to reward the executives for achieving such goals, and to tie executives' long-term interests to those of the Company's shareholders.

In allocating compensation among these components, the Committee believes that the compensation of those senior management members having the greatest ability to influence the Company's performance should be predominately performance based. The mix of compensation among base salary, annual bonus opportunity, and long-term incentives is a result of the compensation philosophy and, more specifically, the targeted pay objective for each component of pay. Additionally, after setting each separate component the Committee reviews the total compensation package of each named executive officer to ensure that it is within a competitive range of market practice. Other than the base salary and target bonus opportunity for Mr. Sengstack, the total compensation opportunity approved by the Committee for 2009 (consisting of base salary, annual cash incentives, and equity awards) for the named executive officers remained unchanged from 2008, principally reflecting a cost savings measure undertaken in light of the economic environment the Company operated in during 2009.

The following sections discuss the individual elements of the Company's compensation program.

Base Salary

The Company pays its executives fixed 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 base salary for each executive, the Committee takes into account the targeted annual salary objective for the position and assesses the responsibilities associated with the position, individual contribution and performance, skill set, prior experience, and external pressures to attract and retain talent. However, in response to economic conditions, the Committee implemented a salary freeze for certain executive officers of the Company, including the named executive officers. Therefore, the Committee did not review competitive market data in setting base salaries for 2009.

As a result, the Committee kept the base salary for each named executive officer (except Mr. Sengstack) unchanged from 2008 levels as follows: Mr. Trumbull: $637,500; Mr. Haines: $250,000; Mr. Maske: 271,724 Euros; Mr. Stone: $286,500; and Mr. Ward: $208,000. In February 2009, the Committee increased the base salary rate of Mr. Sengstack by 5% to $312,000 to reflect increased responsibilities assigned to him, which included all of the Water Systems businesses outside of the Americas in addition to Franklin Fueling Systems.

In connection with considering 2010 compensation, the Committee reviewed 2009 market data provided by Hewitt, which showed that 2009 base salaries, on an aggregate basis, for the five continuing named executive officers, were 1.6% above the 50th percentile of salaries paid to executives in comparable positions at the companies in the Fiscal 2010 Peer Group. Mr. Trumbull's base salary was 1.4% below the 50th percentile.

Annual Cash Incentive Award

The executive officers of the Company are eligible to participate in the Executive Officer Annual Incentive Cash Bonus Program. Historically, the target annual cash incentive opportunity for the CEO has been set at 100% of base salary, and the target annual incentive opportunity for each named executive officer other than the CEO has been established at a common percentage of base salary (67.5% of base salary for 2009), with consideration given to the competitive market data provided by Hewitt. The Committee has purposely set the target bonus opportunities at a common percentage of base salary for each named executive officer (other than the CEO) to provide an added element of flexibility so that the executives at this level can be moved into different roles as necessary and if such a move takes place, compensation disparity between roles would not be an issue. In its year end review of annual cash incentive awards for 2009, however, the Committee concluded that Mr. Sengstack's target bonus opportunity should be increased to 75% of base salary in light of the additional responsibilities he assumed early in the year. The additional compensation paid to him as a result of this adjustment is included for 2009 in the amount in the column titled "Bonus" in the Summary Compensation Table.

The maximum bonus opportunity is set at 150% of base salary for the CEO and at 110% of base salary for the other named executive officers. A threshold level of performance is also established, below which no bonus is earned. For the 2009 bonus awards, the performance threshold was set at 70% of target performance level. Payouts for threshold level performance were set at 25% of target. For every one percent that performance exceeds the threshold level, the actual payout level increased 2.5 percent up to the target level and for every 1.0 percent that performance exceeds the target level, the actual payout increased 1.1 percent up to the maximum performance level.

Under the program, the Committee at the beginning of each year approves an annual incentive cash bonus opportunity for the executive officers taking into account certain financial performance targets for the Company, and, for executive officers other than the CEO, the individual's strategic objectives. The overall corporate financial performance targets applicable to the CEO, CFO and Vice President – Human Resources in 2009 were corporate return on net assets and earnings per share. For business unit leaders, performance targets for 2009 included corporate earnings per share and operating income before restructuring expenses (Operating Income or OI) for the relevant business units. Also, for business unit leaders, inventory turns was introduced as an additional metric, replacing overall corporate return on net assets as a performance target, in order to provide an incentive to control inventory and focus on cash generation through working capital improvements.

For executive officers other than the CEO, a portion of the annual bonus award is linked to individual strategic business objectives agreed to between the executive and the CEO. A significant portion of the 2009 individual goals for the named executive officers was related to fixed cost reductions due to the severe economic environment the Company operated in during 2009. Other strategic initiatives that may be included in these goals relate to acquisition integrations, new product development, expansion of new market and distribution opportunities, and other change efforts inside the Company. These measures were aligned with the goals of the overall corporate short-term and long-term strategies. Focusing on and achieving these goals would help drive the Company's overall success. The goals, when set, were thought to be achievable but would require considerable effort on the part of each executive to achieve.

Although no benchmarking was performed in setting bonus opportunities for 2009, based on the 2009 market data provided by Hewitt, the target level of annual bonus opportunity (in dollars) for the five continuing named executive officers, collectively, for 2009 was 11.6% above the 65th percentile of the annual bonus opportunity for executives in comparable positions at companies in the Fiscal 2010 Peer Group. This principally resulted from all named executive officers (below the CEO) having a common target bonus opportunity of 67.5% (75% for Mr. Sengstack) of base salary. Mr. Trumbull's target bonus opportunity was 5.3% above the 65th percentile.

The performance goals, and the relative percentage of salary assigned to each performance goal, were as follows:

Performance Measure	R. Scott Trumbull		John J. Haines		Peter-Christian Maske		Gregg C. Sengstack		Robert J. Stone		Gary D. Ward	
Return on Net Assets	50	%	23.6	%	---		---		---		23.6	%
Earnings Per Share	50	%	33.8	%	23.6	%	26.3	%	23.6	%	33.8	%
Business Unit Operating Income	---		---		23.6	%	26.3	%	23.6	%	---	
Inventory Turns	---		---		10.1	%	11.2	%	10.1	%	---	
Strategic Objectives	---		10.1	%	10.1	%	11.2	%	10.1	%	10.1	%
Target Bonus Level	100	%	67.5	%	67.5	%	75.0	%	67.5	%	67.5	%

The chart below sets forth (i) the threshold, target and maximum levels for 2009, and the actual level of attainment, for the return on net assets and earnings per share goals; and (ii) for all four performance goals, the percentage at which target was attained. The performance goals were established before the impact of restructuring charges and acquisitions, and attainment of the goals was accordingly determined excluding these factors. 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 given the potential for competitive harm. The operating income goals were set at the beginning of 2009 at “stretch” levels, and the Committee believed at the time that it would require a high degree of execution of the 2009 business plan in order to attain these goals.

	Threshold		Target		Maximum		Actual		% of Attainment of Target	
Return on Net Assets	12.9	%	18.4	%	20.2	%	13. 7	%	74.5	%
Earnings Per Share	$1.42		$2.03		$2.24		$1.26		62.1	%
Business Unit OI	---		---		---		---		46% - 150	%
Inventory Turns	2.5		3.6		4.0		2.9		80.6	%

A prorated percentage is paid for performance between the threshold and target levels and the target and maximum levels. The percentage of attainment of target results for the business unit OI goals represents the range of results for the various business units.

The CEO determined the extent to which the other named executive officers attained their individual strategic goals, which were reviewed and approved by the Committee. In 2009, each executive (other than the CEO, whose incentive is based entirely on Company-wide performance targets) achieved his individual objective goals at the following percentage of target: Mr. Haines: 100%; Mr. Maske: 100%; Mr. Sengstack: 100%; Mr. Stone: 100%; and Mr. Ward: 100%.

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

Executive	Payout Percentage (% of Target)	
R. Scott Trumbull	18	%
John J. Haines	28	%
Peter-Christian Maske	55	%
Gregg C. Sengstack	33	%
Robert J. Stone	40	%
Gary D. Ward	16	%

Mr. Ward's award represents a portion of a full-year award, prorated for the seven months he was with the Company in 2009. For additional information about the specific awards made to the named executive officers for 2009 pursuant to the above criteria, see the "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table.

At the beginning of the year, the Board reviewed a corporate financial plan that included at the corporate level a contingency factor reflecting uncertain market conditions. At the end of the year, the Committee determined that the Operating Income goals for certain business units were not met at a level that would result in the payment of any incentive compensation with respect to that goal, principally because of market factors largely outside the control of the executive officers in those units. The CEO recommended that achievement of the OI goal for specific business units be adjusted for purposes of incentive compensation determinations in light of the contingency factor in the financial plan for the year. The Committee accepted this recommendation, and the resulting amounts paid to these executives are shown in the column of the Summary Compensation Table headed "Bonus." They are included in the payout percentages shown in the table above.

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, and to encourage stock ownership. For 2009, targeted economic value delivered through long-term incentive compensation remained unchanged as a result of the Committee's decision not to make general changes in executive compensation for 2009.
The following table summarizes the 2009 targeted and actual economic values for the named executive officers:

Executive	Base Salary		Target Economic Value (% of Base Salary)		Target Economic Value	Actual Economic Value Granted(3)
R. Scott Trumbull	$637,500		95	%	$605,625	$549,000
John J. Haines	$250,000		45	%	$112,500	$112,500
Peter-Christian Maske	$366,500	(1)	55	%	$201,575	$174,165
Gregg C. Sengstack	$297,000	(2)	55	%	$163,350	$174,165
Robert J. Stone	$286,500		55	%	$157,575	$174,165
Gary D. Ward	$208,000		45	%	$93,600	$93,600

1) Based on monthly average Euro exchange rate.
(2) Salary in effect when long-term incentive awards were determined.

3) These amounts represent the economic value to the executive and are different than the cost recognized by the Company.

The economic value of the actual long-term incentive grants for Messrs. Maske, Sengstack, and Stone were slightly different from the targeted amounts principally due to the Committee's determination to treat these three executives in a consistent manner relative to long-term incentive opportunity.

Although no benchmarking was done for purposes of compensation decisions for 2009, based on the 2009 pay study prepared by Hewitt, the long-term incentive grant, in terms of aggregate economic value delivered to the five continuing named executive officers for 2009 on the date of grant, was 33.6% below the 60th percentile of the long-term incentive compensation opportunity for executives in comparable positions at the companies in the Fiscal 2010 Peer Group.

Similar to 2008, in 2009 the Committee granted equity awards to the named executive officers (as well as all other eligible employees) generally in the form of stock options. Based on the Company's objectives of increasing shareholder value, the Committee chose again to grant the entire 2009 long-term incentive award in stock options to focus executives on increasing shareholder value. With stock options, the executive will only realize value if the stock price increases.

The Committee made stock option grants under its shareholder approved plan to the named executive officers ranging from 17,049 options to 100,000 options for the CEO. Under the formula used above, the CEO should have been awarded options on 110,314 shares. The award was reduced because the terms of the Franklin Electric Co., Inc. Stock Plan (the "Stock Plan") limit the number of stock options that may be granted to any one participant in any calendar year to 100,000 options. In connection with Mr. Sengstack's increased responsibilities and as an additional retention incentive, he was awarded 4,000 shares of restricted stock on April 28, 2009.

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. Mr. Sengstack's restricted stock vests entirely at the end of three years. For additional information about the material terms of these awards, see the narrative disclosure under the Summary Compensation Table.

Stock Ownership Guidelines

In December 2006, the Board of Directors approved stock ownership guidelines for the executives of the Company, pursuant to which executives are required to maintain direct ownership in the Company's common stock in amounts as follows:

- CEO: five times annual base salary.
- Senior Vice Presidents: three times annual base salary.
- Corporate Vice Presidents: one times annual base salary.

An individual has five years to comply with these guidelines. Stock options do not count toward these guidelines. All shares held directly or beneficially, including shares of restricted stock, shares of stock acquired upon exercise of stock options, and shares credited under the Company's Directed Investment Salary Plan and Employee Stock Ownership Plan, count toward these guidelines. All executive officers either meet or exceed these stock ownership guidelines, or are on track to meet them within the five-year period.

Retirement Plans

The Company has defined benefit pension plans and defined contribution retirement plans in which certain of the named executive officers currently participate.

Basic Retirement Plan

The Basic Retirement Plan is a tax-qualified plan that generally covers employees in the U.S. Under the Basic Retirement Plan, 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. All named executive officers except Mr. Haines and Mr. Maske currently participate in the Basic Retirement Plan. Mr. Haines is ineligible because he was hired after February 21, 2006 when the plan was discontinued for all new salaried employees. Mr. Maske, who is a resident of Germany, currently participates in a pension plan sponsored by the Company's German subsidiary.

Cash Balance Pension Plan

The Cash Balance Pension Plan is a tax-qualified plan that covers most salaried employees in the U.S. Under the Cash Balance Pension Plan, 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 Plan benefits consist of:

- An opening balance for participants in the Plan 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;

- Annual contributions made by the Company as of the end of each calendar year that range from 3% to 12% of the participant's compensation;

- Pay credits equal to a percentage of eligible compensation based on credited service and transition credits from 2000-2004 equal to 6% of eligible compensation for participants with 45 points (age plus service) at December 31, 1999; and

  - Interest credits based on the 30-year Treasury rate for the November preceding each plan year.

All named executive officers other than Mr. Maske currently participate in the Cash Balance Pension Plan.

Franklin Electric Europa GmbH Pension Plan

Mr. Maske currently participates in a pension plan sponsored by the Company's German subsidiary, which provides a monthly annuity at age 65 equal to 1/12 of (i) his five-year average compensation, less the amount of his compensation taken into account under the German governmental pension plan in which he participates, times (ii) 1.5%, times (iii) his years
of credited service.

Pension Restoration Plan

In order to provide eligible employees, including named executive officers other than Mr. Maske, with the portion of their retirement benefits that cannot be paid under the tax-qualified pension plans, the Company maintains the Pension Restoration Plan. The Plan, which is non-qualified, provides retirement benefits to eligible executives based on all eligible compensation including compensation in excess of Internal Revenue Code limits. The benefit for Messrs. Trumbull, Sengstack and Ward is determined by applying a formula based on credited service and final average compensation, with an offset for benefits provided by the Basic Retirement Plan, Cash Balance Pension Plan, and Social Security. The benefit for Messrs. Haines and Stone is determined by applying the Cash Balance Pension Plan formula for all eligible compensation, offset for benefits provided by the Cash Balance Pension Plan.

Directed Investment Salary Plan (DISP)

The DISP is a tax qualified 401(k) plan that covers all U.S. employees, including the named executive officers other than Mr. Maske. An employee can elect to defer 1-50% of his compensation on a pre-tax basis, up to a maximum in 2009 of $16,500, or $22,000 if age 50 or over, and the Company will make a matching contribution of up to 3.5% of the employee's first 5% of deferral contributions (table listed below), taking into consideration Internal Revenue Code compensation limits. (The compensation limit was $245,000 in 2009.)

Employee Contribution	Company Match
1%	1.0%
2%	2.0%
3%	2.5%
4%	3.0%
5%	3.5%

Due to economic conditions, on May 1, 2009 the Company suspended the matching contribution for the rest of 2009. The contribution has been reinstated beginning January 1, 2010.

Employee Stock Ownership Plan (ESOP)

The ESOP is a tax qualified retirement plan that covers most U.S. employees. All eligible employees, including the named executive officers other than Mr. Maske, are participants. Beginning January 1, 2009, Company contributions, which were equal to ½% of annual compensation, taking into consideration the Internal Revenue Code compensation limits, ceased for almost all employees, including the named executive officers who participated. The contribution was eliminated in connection with the increase to the matching contribution under the DISP of ½% as reflected in the above table. The Plan invests contributions primarily in Company stock.

Perquisites, Other Personal Benefits, and Other Compensation

The Company 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 provides use of a vehicle to Mr. Maske as part of his employment agreement described below. The value of this benefit is disclosed in the "All Other Compensation" column of the Summary Compensation Table.

Deferred Compensation Plan

The Company maintains the Deferred Compensation Plan, which provides an additional benefit to attract and retain key executives at a minimal cost to the Company. The Deferred Compensation 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. The Company does not contribute any amounts to the Deferred Compensation Plan. Deferred amounts are credited to a notional account maintained on behalf of the participant, which is adjusted for earnings and losses based on investment funds made available under the DISP, as elected by the participant. A participant's account under the Deferred Compensation Plan will be distributed to him as soon as practicable after the first of the month following termination of employment (provided that distribution to a "key employee" as defined in Section 409A of the Internal Revenue Code will be deferred for six months). Mr. Trumbull is the only named executive officer who participated in the Deferred Compensation Plan during the fiscal year.

Employment Agreements

During 2009, the Company had employment agreements with Messrs. Trumbull, Haines, Sengstack, and Maske.

All agreements except Mr. Maske's are three-year agreements, which automatically extend for an additional year unless either party gives notice not to renew. 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 bonus paid for the preceding year, a bonus pro-rated for the time of employment in the current year, continued participation in the Company's benefit plans for 12 months, and immediate vesting of all stock options. 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), the executive is entitled to these same benefits, except that Messrs. Trumbull and Sengstack are entitled to 18 months of continued salary, 1½ times the bonus paid for the preceding year and 18 months of benefits continuation. If the executive's employment is terminated without cause by the Company or for good reason by the executive 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 bonus paid for the preceding year (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 benefit plans for 36 months (24 months for Mr. Haines), and immediate vesting and cashout of outstanding options. In addition, in order to provide these executives an additional element of security in a change in control, these amounts are payable if the executive terminates employment for any reason in the 13th month following a change in control. Any pro-rata bonus is determined by using the executive's actual bonus for the past year, except that any pro-rata bonus payable to Mr. Trumbull because of a termination prior to a change in control would be determined with reference to the bonus otherwise payable to him had he continued to be employed for the full year in which employment terminated. In addition, the executive will receive a gross-up payment to cover any liability arising under Internal Revenue Code Section 280G as a result of the payments. Under his agreement, Mr. Trumbull is deemed to have five years of full-time service with the Company as of January 1, 2003 for purposes of vesting and benefit accrual under the Company's Pension Restoration Plan.

The employment agreement with Mr. Maske continues until attainment of age 65 (or state pension eligibility, if earlier), subject to the earlier termination by either party upon six months prior written notice. If the agreement is terminated, the Company is required to provide continued compensation and health benefits for six months following the termination notice. If termination is effected in connection with a change in control of the Company, the Company is required to provide continued compensation and health benefits for two years from the earlier of the date of termination or the change in control.

Messrs. Trumbull, Haines, Sengstack, Stone, and Ward have each 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.

Employment Security Agreements

The Company has entered into employment security agreements ("ESAs") with Mr. Stone and other certain executives that provide benefits upon a change in control of the Company. Mr. Ward was also party to an ESA prior to the termination of his employment with the Company.

Each ESA provides that if within two years after a change in control (as defined in the ESA) 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 prorated 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 (or, if earlier, until age 65);
    - Immediate vesting of all stock-based awards and deemed satisfaction of all performance-based awards;
- Continued coverage under the Company's health and welfare plans for 24 months following termination (or, if earlier, until age 65);
- 12 months of executive outplacement services (not to exceed $50,000) with a professional outplacement firm selected by the Company; and
- A gross-up payment to cover any excise and related income tax liability under Section 280G of the Internal Revenue Code as a result of payments made or benefits provided under the ESA (except that if the payments and benefits subject to Section 280G are less than 110% of the amount that could be paid without incurring Section 280G liability, the payments under the ESA will be reduced so that no such liability will be incurred).

The ESAs contain a restrictive covenant that prohibits the executive from soliciting employees of the Company for 18 months following termination. The confidentiality and noncompete agreement of Mr. Stone also applies for 18 months following a termination of employment under the ESAs.

The Company determined that these agreements directly fulfill the Company's objective to attract and retain 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.

Separation Agreement

As a result of the elimination of his position, Mr. Ward's employment with the Company terminated on July 31, 2009. The Company and Mr. Ward entered into a Separation Agreement providing for a lump sum payment equal to one year of continued salary, a prorata payment of the bonus that would have been paid to him had he remained employed through December 31, 2009, continued vesting in outstanding stock options and restricted stock awards until June 27, 2010 at which time he will be deemed to have retired, continued coverage under the Company's health plan pursuant to COBRA with premiums for the first year of coverage at active employee rates, and six months of executive placement services. The Separation Agreement also contained a release of claims. Mr. Ward's existing confidentiality and non-compete agreement with the Company continues in effect.

- 23 -

Deductibility of Executive Compensation

Section 162(m) of the Internal Revenue Code limits 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 contains an exception for certain performance-based compensation. Base salary, by its nature, does not qualify as performance-based compensation under Section 162(m) and the Company's incentive cash bonus payments do not qualify as performance-based compensation under Section 162(m). The Company's grants of stock options and performance-based restricted stock under its stock award plans qualify as performance-based compensation under Section 162(m). A portion of Mr. Trumbull's compensation for 2009 is considered non-deductible under Section 162(m). The Board of Directors has adopted and submitted for shareholder approval at the Annual Meeting scheduled for April 30, 2010, a Management Incentive Plan that would permit incentive cash awards granted in 2010 and future years to qualify as performance-based compensation under Section 162(m).

Subsequent Compensation Decisions

The Committee has decided to administer the 2010 cash bonus compensation program according to the same general terms and conditions as discussed above, but with the following revisions:

At its October 2009 meeting, the Committee reviewed the compensation philosophy and pay objectives of the Company in light of the business objectives of the Company and the competitive market. Based on this review, the Committee determined to modify the targeted pay objectives for the executive officers to provide a greater focus on performance-based pay and long-term shareholder value creation.

For pay decisions beginning in 2010, the Company and the Committee will, in general, use the following pay objectives as a guide (based on the Fiscal 2010 Peer Group), with individual pay levels and opportunities adjusted based on the factors discussed above:

Pay Component	Targeted Pay Objectives
Base Salary	Approximately the 50th percentile
Annual Bonus Opportunity	Between the 60th and 65th percentiles
Long-Term Incentives	Between the 60th and 65th percentiles

With respect to annual cash incentives:

- All executives will be rewarded on return on net invested capital in addition to earnings per share. The Committee replaced the return on net assets with return on net invested capital due to the belief that it is a primary and consistent measure many of the Company's shareholders use to evaluate performance and compare the Company to its peers.

- Mr. Trumbull's bonus opportunity for 2010 will include individual strategic goals that will represent 10% of his annual bonus opportunity.

    - Messrs. Haines, Sengstack, and Stone will also be rewarded on fixed costs management.

- Mr. Stone's bonus target as a percent of base salary will increase to 75% to reflect the additional responsibilities he acquired in 2009. All other executives will have the same target bonus levels used to make annual cash incentive payments for 2009.

- The maximum bonus opportunity for each named executive officer will be increased to 200% of the target level bonus opportunity for performance attainment of 120% or more of target level performance.

- To earn any portion of his bonus, each executive must achieve a threshold of at least 80% of the performance measure target, rather than the 70% threshold used for 2009. Payouts at threshold level performance will be approximately 33% of the target level payout.

For the long-term incentive awards in 2010, the Committee has decided to grant a combination of stock options and restricted stock to the named executive officers with 60% of the economic value of the awards delivered through stock options and the remaining 40% through time-vesting restricted stock. The rationale for this change from 100% of the economic value delivered through stock options is to add an element of retention to long-term incentive awards when the Company's stock price is not increasing in value and to help manage and extend the life of the remaining shareholder approved share pool.

Due to the Stock Plan limit of 100,000 options to any one participant in a single year, management recommended and the Committee approved a special one time restricted stock award to Mr. Trumbull of 3,627 shares to compensate him for the 10,314 options that were not awarded in 2009 due to the plan limit. One quarter of these shares vested immediately, with the balance to vest evenly over the next three years.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following tables set forth compensation information for the Company's Chief Executive Officer, Chief Financial Officer, and the three other most highly compensated executive officers for the fiscal years ended January 2, 2010, January 3, 2009, and December 29, 2007.

Name and Principal Position (a)	Year (b)	Salary ($)(c)	Bonus ($)(d)	Stock Awards ($)(e)(4)	Option Awards ($)(f)(4)	Non-Equity Incentive Plan Compensation ($)(g)	Change in Pension Value & Nonqualified Deferred Compensation Earnings ($)(h)(6)	All Other Compensation ($)(i)(8)	Total ($)(j)
R. Scott Trumbull, Chairman of the Board & CEO	2009	637,513	0	249,759	581,861	115,390	863,245	69,487	2,517,255
	2008								