

FRANKLIN ELECTRIC CO INC
Form 8-K
April 27, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 24, 2009

FRANKLIN ELECTRIC CO., INC.
(Exact name of registrant as specified in its charter)

Indiana
(State or other jurisdiction of incorporation)

0-362
(Commission File Number)

35-0827455
(I.R.S. Employer
Identification No.)

400 E. Spring Street
Bluffton, IN
(Address of principal executive offices)

46714
(Zip Code)

Registrant's telephone number, including area code: (260) 824-2900

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act
(17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act
(17 CFR 240.13e-4(c))

Item 1.01. Entry Into a Material Definitive Agreement.
Amended and Restated Franklin Electric Co., Inc. Stock Plan

On April 24, 2009, the shareholders of Franklin Electric Co., Inc. (the “Company”) approved the Franklin Electric Co., Inc. Stock Plan, as amended and restated effective March 9, 2009 (the “Plan”). The Board of Directors of the Company (the “Board”) had approved the Plan on March 9, 2009 subject to shareholder approval.

The Plan is a stock-based compensation plan that provides for discretionary grants of stock options and stock awards to key employees and non-employee directors. The purpose of the Plan is to recognize contributions made to the Company and its subsidiaries by key employees and non-employee directors and to provide them with additional incentive to expand and improve the profits of the Company and achieve the objectives of the Company.

The Plan has been amended and restated to, among other things, (i) increase the number of shares available for issuance under the Plan, (ii) eliminate the ability to make grants under the Plan with respect to shares that are used to pay the option exercise price or required tax withholding or that are forfeited or otherwise cancelled; (iii) require that stock options be granted with an exercise price equal to the fair market value of the underlying common stock on the date of grant; (iv) limit the term of stock options to ten years from the date of grant; (v) limit the payment of dividends on performance-based restricted stock awards such that they are paid only to the extent the related performance goals are satisfied; (vi) prohibit repricing of stock options without shareholder approval; (vii) limit transferability of stock options; (viii) add share withholding as an alternative by which to pay the option exercise price; and (ix) expand the list of performance criteria to which stock awards may be subject.

The material terms of the Plan are:

Number of Shares of Common Stock. The number of shares of the Company’s common stock that may be issued under the Plan has been increased from 1,300,000 shares to 2,200,000 shares. Of these 2,200,000 shares: (i) the maximum number of shares that may be used for stock awards is 600,000; (ii) the maximum number of shares issuable as stock options (either incentive stock options or nonqualified stock options) is 1,600,000; and (iii) the maximum number of shares issuable as stock options, or as stock awards intended to qualify as “performance-based” under Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”), to any single key employee in any calendar year is 100,000 (or 200,000 in the calendar year in which the employee’s employment commences).

Shares issuable under the Plan may be authorized but unissued shares or treasury shares. If there is a lapse, forfeiture, expiration, termination or cancellation of any award made under the Plan for any reason, the shares subject to the award will not again be available for issuance. In addition, any shares subject to an award that are used by a participant as payment for an award or payment of withholding taxes due in connection with an award will not again be available for issuance, and all such shares will count toward the number of shares issued under the Plan. The number of shares of common stock issuable under the Plan is subject to adjustment in the event of certain changes in the capital structure of the Company or similar transactions, and in each case, the Board has the discretion to make adjustments it deems necessary to preserve the intended benefits under the Plan.

Administration. The Plan is administered by the Board, which has delegated administration to the Management Organization and Compensation Committee (the “Committee”). All members of the Committee qualify as “non-employee directors” under Rule 16b-3 of the Securities Exchange Act of 1934 and “outside directors” under Section 162(m) of the Code. The Committee has full authority to select the individuals who will receive awards under the Plan, determine the form and amount of each of the awards to be granted, and establish the terms and conditions of awards. The Committee may delegate to an officer of the Company its authority to grant awards to employees who are not subject to Section 16 of the Exchange Act or who are not covered employees under Section 162(m) of the Code.

Eligibility. All employees of the Company designated as key employees for purposes of the Plan and all non-employee directors of the Company are eligible to receive awards under the Plan.

Awards to Participants. The Plan provides for discretionary awards of stock options and stock awards to participants. Each award made under the Plan will be evidenced by a written award agreement specifying the terms and conditions of the award as determined by the Committee in its sole discretion, consistent with the terms of the Plan.

Stock Options. The Committee has the discretion to grant non-qualified stock options or incentive stock options to participants and to set the terms and conditions applicable to the options, including the type of option, the number of shares subject to the option and the vesting schedule; provided that the exercise price of each stock option shall be the closing sales price of the Company's common stock on the date which the option is granted ("fair market value") and each option shall expire 10 years from the date of grant. Additional rules apply to incentive stock options. It is intended that stock options qualify as "performance-based compensation" under Section 162(m) of the Code and thus be fully deductible by the Company for federal income tax purposes, to the extent permitted by law.

Stock Awards. The Committee has the discretion to grant stock awards to participants. Stock awards will consist of shares of common stock granted without any consideration from the participant or shares sold to the participant for appropriate consideration as determined by the Committee. The number of shares awarded to each participant, and the restrictions, terms and conditions of the award, will be at the discretion of the Committee. Subject to the restrictions, a participant will be a shareholder with respect to the shares awarded to him or her and will have the rights of a shareholder with respect to the shares, including the right to vote the shares and receive dividends on the shares; provided that dividends otherwise payable on any performance-based stock award shall be held by the Company and shall be paid only to the holder of the stock award to the extent the restrictions on such stock award lapse.

The Committee has the discretion to establish restrictions on the stock awards that qualify the awards as "performance-based compensation" under Section 162(m) of the Code so that they are fully deductible by the Company for federal income tax purposes. In such case, the Committee may establish performance goals for certain performance periods and targets for achievement of the performance goals, and the restrictions on the stock subject to the award will lapse if the performance goals and targets are achieved for the designated performance period. The performance goals will be based on one or more of the following criteria: (i) net earnings or net income (before or after taxes); (ii) earnings per share; (iii) net sales or revenue growth; (iv) net operating profit or income (including as a percentage of sales); (v) return measures (including, but not limited to, return on assets, capital, invested capital, equity, sales, or revenue); (vi) cash flow (including, but not limited to, operating cash flow, free cash flow, cash flow return on equity, and cash flow return on investment); (vii) earnings before or after taxes, interest, depreciation, and/or amortization; (viii) gross or operating margins; (ix) productivity ratios; (x) share price (including, but not limited to, growth measures and total shareholder return); (xi) cost control; (xii) margins; (xiii) operating efficiency; (xiv) market share; (xv) customer satisfaction or employee satisfaction; (xvi) working capital; (xvii) economic value added (net operating profit after tax minus the sum of capital multiplied by the cost of capital); (xviii) taxes; (xix) depreciation and amortization; (xx) total shareholder return; (xxi) low cost region labor percent of total labor; and (xxii) top customer concentration percent of sales. Performance goals may be adjusted for any events or occurrences (including acquisition expenses, extraordinary charges, losses from discontinued operations, restatements and accounting charges and restructuring expenses), as may be determined by the Committee.

Provisions Relating to a "Change in Control" of the Company. In the event of a "Change in Control" of the Company (as defined in Section 8.2 of the Plan), all outstanding awards shall become fully exercisable, all restrictions applicable to all awards will terminate or lapse, and performance goals applicable to any stock awards shall be deemed satisfied at the highest target level. In addition, upon such Change in Control, the Committee has sole discretion to provide for the purchase of any outstanding stock option for cash equal to the difference between the exercise price and the then fair market value of the common stock subject to the option had the option been currently exercisable, make such

adjustment to any award then outstanding as the Committee deems appropriate to reflect such Change in Control and cause any such award then outstanding to be assumed by the acquiring or surviving corporation after such Change in Control.

Amendment of Award Agreements; Amendment and Termination of the Plan; Term of the Plan. The Committee may amend any award agreement at any time, provided that no amendment shall adversely affect the right of any participant under any agreement in any material way without the written consent of the participant, unless such amendment is required by applicable law, regulation or stock exchange rule.

The Board may terminate, suspend or amend the Plan without the approval of the shareholders, unless such approval is required by applicable law, regulation or stock exchange rule, and provided that no amendment shall adversely affect the right of any participant under any outstanding award in any material way without the written consent of the participant, unless such amendment is required by applicable law, regulation or rule of any stock exchange on which the shares of the Company's common stock are listed.

Notwithstanding the foregoing, neither the Plan nor any outstanding award agreement can be amended in a way that results in the repricing of a stock option without shareholder approval.

Term of Plan. The term of the Plan has been extended from April 29, 2015 to March 9, 2019 (i.e., the end of the 10-year period following the date the Board approved the Plan as amended and restated).

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

99.1 Franklin Electric Co., Inc. Stock Plan, as amended and restated effective March 9, 2009 (incorporated by reference to Exhibit A to the Company's 2009 Proxy Statement for the Annual Meeting held on April 24, 2009).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

FRANKLIN ELECTRIC CO., INC.
(Registrant)

Date: April 24, 2009

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

