

FRANKLIN ELECTRIC CO INC
Form DEF 14A
March 19, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF

THE SECURITIES EXCHANGE ACT OF 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

Franklin Electric Co., Inc.

(Name of Registrant as Specified In Its Charter)

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

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- (1) Amount previously paid:

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 - (4) Date Filed:
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FRANKLIN ELECTRIC CO., INC.

9255 Coverdale Road
Fort Wayne, Indiana 46809

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held

May 3, 2019 at 8:00 a.m., Eastern Time

To the Shareholders of
Franklin Electric Co., Inc.

The Annual Meeting of Shareholders of Franklin Electric Co., Inc. (the "Company"), an Indiana corporation, will be held at Franklin Electric Global Headquarters and Engineering Design Center, 9255 Coverdale Road, Fort Wayne, Indiana 46809 on Friday, May 3, 2019, at 8:00 a.m., Eastern Time. The purposes of the meeting are to:

1. Elect Renee J. Peterson and Jennifer L. Sherman as directors for terms expiring at the 2022 Annual Meeting of Shareholders;
2. Ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the 2019 fiscal year;
3. Approve a proposed amendment to the Company's Articles of Incorporation to provide that shareholders may amend the Company's bylaws;
4. Approve, on an advisory basis, the executive compensation of the named executive officers as disclosed in the Proxy Statement; and
5. Transact any other business that may properly come before the Annual Meeting of Shareholders or any adjournment or postponement thereof.

Only shareholders of record at the close of business on March 1, 2019 will be entitled to notice of and to vote at the Annual Meeting.

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

By order of the Board of Directors.

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

Fort Wayne, Indiana
March 19, 2019

TABLE OF CONTENTS

Page
General
Information.....

Notice
and
Voting
Instructions.....

Shareholders
Entitled
to
Vote
and
Shares
Outstanding.....

Letter
to
Shareholders.....

Security
Ownership
of
Certain
Beneficial
Owners.....

Security
Ownership
of
Management.....

Proposal
1:
Election
of
Directors.....

Information
Concerning
Nominees
and

Continuing
Directors.....

Information
About
the
Board
and
Its
Committees.....

Management
Organization
and
15
Compensation
Committee
Report.....

Compensation
Discussion
16
and
Analysis.....

Executive
30
Compensation.....

Director
42
Compensation.....

Securities
Authorized
for
Issuance
45
Under
Equity
Compensation
Plans.....

Audit
Committee
Report.....

Proposal
2:
Ratification
of
the
Appointment
of
Deloitte
&

Touche
LLP.....

Proposal
3:
Amendment
of
the
~~46~~Amended
and
Restated
Articles
of
Incorporation.....

Proposal
4:
Advisory
~~47~~Vote
on
Executive
Compensation.....

Section
16(a)
Beneficial
~~48~~Ownership
Reporting
.....

Shareholder
~~48~~Proposals.....

Annual
Report
~~48~~
Form
10-K.....

Other
~~48~~Business
.....

~~Exhibit~~A
Electric
Co.
Inc.
Amended
and
Restated
Articles

of
Incorporation.....

FRANKLIN ELECTRIC CO., INC.

9255 Coverdale Road, Fort Wayne, Indiana 46809

PROXY STATEMENT

Annual Meeting of Shareholders to be Held on May 3, 2019

GENERAL INFORMATION

This Proxy Statement and the enclosed proxy are furnished to shareholders in connection with the solicitation of proxies by the Board of Directors of Franklin Electric Co., Inc. (the "Company"), 9255 Coverdale Road, Fort Wayne, Indiana 46809 for use at the Annual Meeting of Shareholders to be held on May 3, 2019, or any adjournment or postponement thereof. Shareholders were sent a Notice of the Annual Meeting of Shareholders (the "Annual Meeting"), as well as information regarding how to access this Proxy Statement and the Company's 2018 Annual Report, including the financial statements contained therein, beginning on or about March 18, 2019.

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

NOTICE AND VOTING INSTRUCTIONS

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

Voting by Internet: Use the internet link and control number provided to you on your Proxy Card. You may vote until 11:59 p.m., Eastern Time, on May 2, 2019. You will need the control number provided on your Proxy Card to access the website.

Voting by Telephone: Call the toll-free telephone number provided to you on your Proxy Card. Telephone voting will be available until 11:59 p.m., Eastern Time, on May 2, 2019. Detailed instructions will be provided during the call. The procedures are designed to authenticate votes cast by using the last 4 digits of a shareholder's social security/taxpayer I.D. number.

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

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

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

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

• FOR the ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the 2019 fiscal year;

• FOR the approval of a proposed amendment to the Company's Articles of Incorporation to provide that shareholders may amend the Company's bylaws;

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

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

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

SHAREHOLDERS ENTITLED TO VOTE AND SHARES OUTSTANDING

The Board of Directors of the Company fixed the close of business on March 1, 2019, as the record date (the "Record Date") for determining shareholders entitled to notice of and to vote at the Annual Meeting. As of the Record Date, there were 65,000,000 shares of Common Stock, \$.10 par value (the "Common Stock"), authorized, of which

46,348,968 shares of Common Stock were outstanding. Each share of Common Stock is entitled to one vote on each matter submitted to a vote of the shareholders of the Company. Votes cast by proxy or in person at the Annual Meeting will be tabulated by the inspectors of election appointed for the Annual Meeting and will be counted as present for purposes of determining whether a quorum is present. A majority of the outstanding shares of Common Stock, present in person or represented by proxy, will constitute a quorum for the transaction of business at the Annual Meeting. Abstentions and broker non-votes (which occur when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that proposal and has not received instructions from the beneficial owner) will be counted for purposes of determining the presence or absence of a quorum but will not be counted as votes cast on any matter submitted to shareholders. As a result, abstentions and broker non-votes will not have any effect on the voting results with respect to any of the matters scheduled to be submitted to shareholders at the Annual Meeting.

LETTER TO SHAREHOLDERS

Fellow Shareholders,

In 2019, we celebrate Franklin Electric's 75th Anniversary. Much has changed at Franklin Electric since E.J. (Ed) Schaefer and T.W. (Wayne) Kehoe founded the company in 1944 in Bluffton, Indiana. In the years since, we have grown from a small motor manufacturing company into a leading global provider of systems and components for moving water and fuel. What hasn't changed are the core values we all share.

At Franklin Electric, we strive to achieve market and financial success, guided by our values and with a focus on our Key Factors: quality, availability, service, innovation, and cost. We do this not solely because it is good business, but because it is the right thing for our shareholders, customers, employees, business partners, and the residents of the communities we touch. Our business reaches communities around the world. We directly employ almost 6,000 people in our global locations and improve the lives of millions of end-users of our products.

Through our innovative product designs, we blend the product performance our customers demand with critical safety features and proven energy efficiency that promote a smaller environmental footprint and a lower total cost of ownership. We dedicate significant resources to research and development, focusing on improvements to the efficiency of our products, easing their reliance on fossil fuels.

Clean and readily available groundwater is vital to the health and well-being of much of the world's population, and the success of our water systems business is inextricably linked to this necessity. Pollution of groundwater aquifers represents a clear danger to human health, the environment, and our business. We therefore do our part by lowering our own environmental impact by mandating clean, sustainable manufacturing and distribution processes, and by designing products that themselves protect against environmental damage. Additionally, through our Franklin Wells for the World Foundation (FWWF), our mission is to provide safe, reliable, and cost-effective water supplies to suffering communities. Since 2010 FWWF has made a significant difference in the lives of over 100,000 people by installing wells to provide dependable access to clean water.

Our fueling business pioneered advances in petroleum piping and containment systems, electronic leak detection and overfill protection, all of which make it possible for providers to safely keep up with the world's liquid fuel needs. Through our FFS PRO: University program, we provide the industry's premier training for petroleum equipment installation professionals. We focus not only on training and certification, but we also aim to serve as the industry leader in fueling system safety and continued learning.

Franklin Electric is committed to protecting the health and safety of our employees, customers and end users. We actively promote a GOAL ZERO culture in which we continually train employees on health and safety best practices with the goal of zero work-related injuries. We seek opportunities to promote safe work environments for employees in every role and support their health by offering competitive health insurance benefits and promoting wellness programs.

We are exceedingly proud of the growth of Franklin Electric during the last 75 years. As we look to the future, we want to assure our shareholders that, as we continue to grow and to build upon our past successes, we thoughtfully consider and continuously recognize the impact we make on the people and the environment in the communities we serve.

Gregg Sengstack
Chairperson and Chief Executive Officer
Franklin Electric Co., Inc.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table shows the persons known by the Company to be the beneficial owners of more than five percent of the Company's Common Stock as of March 1, 2019, unless otherwise noted. The nature of beneficial ownership is sole voting and dispositive power, unless otherwise noted.

Name and address of beneficial owner	Amount and nature of beneficial ownership	Percent of class
BlackRock, Inc. 55 East 52 nd Street New York, NY 10022	6,075,013 ⁽¹⁾	13.11 %
The Vanguard Group, Inc. 100 Vanguard Blvd. Malver, PA 19355	4,379,048 ⁽³⁾	9.45 %
Patricia Schaefer 5400 Deer Run Court Muncie, IN 47304	4,000,168 ⁽²⁾	8.63 %
Diane D. Humphrey 2279 East 250 North Road Bluffton, IN 46714	3,140,140 ⁽⁴⁾	6.77 %
Impax Asset Management Group PLC 7th Floor, 30 Pantom Street London, United Kingdom	2,566,522 ⁽⁵⁾	5.54 %

(1) According to a Schedule 13G filed with the SEC, as of December 31, 2018, BlackRock, Inc. has sole voting power with respect to 5,976,155 shares.

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

(3) According to a Schedule 13G filed with the SEC, as of December 31, 2018, The Vanguard Group, Inc. has sole voting power with respect to 93,488 shares, shared voting power with respect to 6,300 shares, sole dispositive power with respect to 4,285,560 shares and shared dispositive power with respect to 93,488 shares.

(4) Pursuant to agreements with Ms. Humphrey, the Company has a right of first refusal with respect to 2,823,436 shares owned by Ms. Humphrey.

(5) According to a Schedule 13G filed with the SEC as of December 31, 2018, Impax Asset Management Group PLC has sole voting power with respect to 2,566,522 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" on page 30 of this Proxy Statement and all executive officers and directors as a group, as of March 1, 2019. The nature of beneficial ownership is sole voting and investment power, unless otherwise noted, except for restricted shares, with respect to which the holder has investment power only after the shares vest.

Name of beneficial owner	Amount and nature of beneficial ownership	Percent of class
David T. Brown	0 ⁽²⁾	*
Renee J. Peterson	0 ⁽²⁾	*
David A. Roberts	47,023 ⁽²⁾⁽⁴⁾⁽⁶⁾	*
Jennifer L. Sherman	0 ⁽²⁾	*
Thomas R. VerHage	0 ⁽²⁾	*
David M. Wathen	0 ⁽²⁾	*
Gregg C. Sengstack	726,961 ⁽¹⁾⁽⁵⁾⁽⁸⁾	1.57
John J. Haines	185,333 ⁽¹⁾⁽³⁾⁽⁵⁾⁽⁸⁾	*
Robert J. Stone	181,864 ⁽¹⁾⁽³⁾⁽⁵⁾⁽⁷⁾⁽⁸⁾	*
Paul N. Chhabra	9,725 ⁽⁴⁾	*
Donald P. Kenney	81,137 ⁽¹⁾⁽³⁾⁽⁵⁾⁽⁸⁾	*
All directors and executive officers as a group	1,335,377 ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾⁽⁸⁾	2.88

* Less than 1 percent of class

Includes shares issuable pursuant to stock options exercisable within 60 days after March 1, 2019 as follows: Mr. (1) Sengstack, 339,872; Mr. Haines, 151,496; Mr. Stone, 116,135; and Mr. Kenney, 39,254. All directors and executive officers as a group, 701,298.

Does not include stock units credited pursuant to the terms of the Non-Employee Directors' Deferred Compensation (2) Plan described under "Director Compensation" to: Mr. Brown, 71,152; Ms. Peterson, 19,114; Mr. Roberts, 5,485; Ms. Sherman, 21,715; Mr. VerHage, 38,707; and Mr. Wathen, 84,248.

(3) Includes shares held by the 401(k) Plan Trustee as of March 1, 2019: Mr. Haines, 6,095; Mr. Stone, 24,568; and Mr. Kenney, 30,750. All executive officers as a group, 61,535.

(4) Includes unvested restricted shares as follows: Mr. Roberts, 9,717; and Dr. Chhabra 9,725. All executive officers as a group, 33,345.

(5) Does not include unvested restricted stock units as follows: Mr. Sengstack, 71,247; Mr. Haines, 20,984; Mr. Stone, 11,898; and Mr. Kenney, 15,289. All executive officers as a group, 132,532.

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

(7) Includes 17,928 shares indirectly owned.

Includes shares based on estimated release of performance share units earned in 2018 as follows: Mr. Sengstack, (8) 26,166; Mr. Haines, 8,203; Mr. Stone, 6,577; and Mr. Kenney, 3,041. All executive officers as a group, 52,445.

See the "Compensation Discussion and Analysis" section for further information.

PROPOSAL 1: ELECTION OF DIRECTORS

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

Renee J. Peterson and Jennifer L. Sherman have been nominated to serve as directors of the Company for terms expiring in 2022. The nominees are current directors of the Company and have indicated their willingness to continue to serve as directors if elected. If, however, any nominee is unwilling or unable to serve as a director, shares represented by the proxies will be voted for the election of another nominee proposed by the Board of Directors or the Board may reduce the number of directors to be elected at the Annual Meeting.

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

8
