FEDERAL SIGNAL CORP /DE/
Form DEF 14A
March 10, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No. __)
Filed by the Registrant þ
Filed by a Party other than the Registrant ¨
Check the appropriate box:
¨ Preliminary Proxy Statement
¨ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
þ Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to §240.14a-12
FEDERAL SIGNAL CORPORATION
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)
Payment of Filing Fee (Check the appropriate box):
þ No fee required.
¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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(2) Aggregate number of securities to which transaction applies:
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(4) Proposed maximum aggregate value of transaction:
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1415 West 22nd Street
Oak Brook, Illinois 60523

Notice of Annual Meeting of Stockholders
To Be Held on April 21, 2017

To the Stockholders of Federal Signal Corporation:

The Annual Meeting of Stockholders of Federal Signal Corporation, a Delaware corporation (the "Company"), will be held at the Regency Towers Conference Center, 1515 West 22nd Street, Oak Brook, IL 60523, on Friday, April 21, 2017, at 8:30 a.m., local time, for the following purposes:

- To elect nine directors;
- To approve, on an advisory basis, the compensation of our named executive officers ("NEOs");
- To vote, on an advisory basis, on the frequency of future advisory votes on our NEO compensation;
- To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for fiscal year 2017; and
- To transact such other business that may properly come before the meeting or any adjournment(s) or postponement(s) thereof.

The Board of Directors of the Company (the "Board") has fixed the close of business on February 28, 2017, as the record date for the Annual Meeting. Only stockholders of record on the record date are entitled to receive notice of, and to vote at, the Annual Meeting.

The Board recommends that you vote "FOR ALL" the nominees for director proposed by the Board; "FOR" the advisory approval of our NEO compensation; "1 Year" for the advisory vote on the frequency of future advisory votes on NEO compensation; and "FOR" the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for fiscal year 2017.

Stockholders of record on the record date will receive a Notice of Internet Availability of Proxy Materials (the "Notice of Internet Availability"). The Notice of Internet Availability, first mailed on March 10, 2017, contains instructions on how to access the proxy statement, this notice, and our 2016 Annual Report on Form 10-K on the Internet at www.proxyvote.com. Stockholders wishing to receive a printed copy of our proxy materials should follow the instructions provided in the Notice of Internet Availability. Those stockholders who previously requested printed or electronic copies of our proxy materials will receive a printed or electronic copy, as applicable.

To vote, please follow the instructions in the Notice of Internet Availability or the proxy materials if you received printed copies. If you vote by telephone or Internet, you do not need to return a proxy card. If you are present at the Annual Meeting, you may vote your shares in person. If you hold your shares through a broker or other custodian, please check the voting instructions provided to you by that broker or custodian.

YOUR VOTE IS IMPORTANT! Whether or not you expect to attend the Annual Meeting, please vote your shares at your earliest convenience. This will ensure the presence of a quorum at the Annual Meeting and save the extra expense of additional solicitation. Submitting your proxy now will not prevent you from voting your shares at the Annual Meeting, as your proxy is revocable at your option. If you have any questions or need assistance in voting your shares of our common stock, please call the Corporate Secretary at (630) 954-2012 or email us at info@federalsignal.com.

By order of the Board of Directors,
DANIEL A. DUPRÉ,
Corporate Secretary
March 10, 2017

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PROXY STATEMENT SUMMARY

This summary highlights information contained elsewhere in this proxy statement. Please read the entire proxy statement before voting. This summary does not contain all of the information that you should consider before voting.

GENERAL INFORMATION

Stock Symbol: FSS
Stock Exchange: New York Stock Exchange ("NYSE")
Registrar and Transfer Agent: Computershare Limited
State and Year of Incorporation: Founded in 1901 and reincorporated in Delaware in 1969
Corporate Headquarters: 1415 West 22nd Street, Suite 1100, Oak Brook, Illinois 60523
Corporate Website: www.federalsignal.com

ANNUAL MEETING

Time and Date: 8:30 a.m., local time, Friday, April 21, 2017
Place: Regency Towers Conference Center, 1515 West 22nd Street, Oak Brook, Illinois 60523
Record Date: February 28, 2017
Common Shares Outstanding on Record Date: 59,721,376
Voting: Each share of our common stock is entitled to one vote for each director to be elected and on each matter to be voted upon at the Annual Meeting

ITEMS TO BE VOTED ON AND BOARD RECOMMENDATIONS

Item		Board Recommendations	Page
Proposal 1	Election of Nine Directors	For all nominees	9
Proposal 2	Advisory Vote to Approve the Compensation of our NEOs	For	46
Proposal 3	Advisory Vote on the Frequency of Future Advisory Votes on our NEO Compensation	1 Year	48
Proposal 4	Ratification of the Appointment of Deloitte & Touche LLP as our Independent Registered Public Accounting Firm for Fiscal Year 2017	For	49

The Board shall also transact any other business that may properly come before the Annual Meeting or adjournments or postponements thereof.

PROPOSAL 1: ELECTION OF NINE DIRECTORS

DIRECTOR NOMINEES

Name	Age	Director Since	Occupation and Experience	Independent	Audit Committee	Compensation and Benefits Committee	Nominating and Governance Committee
James E. Goodwin (1)	72	2005	Lead Independent Director, Federal Signal Corporation	Yes		ü	ü
Paul W. Jones	68	1998	Former Executive Chairman and Chief Executive Officer ("CEO"), A O. Smith Corporation	Yes		ü	Chair
Bonnie C. Lind	58	2014	Sr. Vice President, Chief Financial Officer ("CFO") and Treasurer, Neenah Paper, Inc.	Yes	ü		
Dennis J. Martin (1)	66	2008	Chairman and former CEO, Federal Signal Corporation	No			

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Name	Age	Director Since	Occupation and Experience	Independent	Audit Committee	Compensation and Benefits Committee	Nominating and Governance Committee
Richard R. Mudge	71	2010	President, Compass Transportation and Technology, Inc.	Yes	ü		
William F. Owens	66	2011	Former Governor of Colorado	Yes		ü	ü
Brenda L. Reichelderfer	58	2006	Sr. Vice President and Managing Director, TriVista Business Group	Yes		Chair	ü
Jennifer L. Sherman	52	2016	President and CEO, Federal Signal Corporation	No			
John L. Workman	65	2014	Former CEO, Omnicare, Inc.	Yes	Chair		

(1) Effective December 31, 2016, Mr. Martin retired from employment and transitioned from Executive Chairman of the Company to Chairman of the Board. Mr. Goodwin remains Lead Independent Director.

All nominees are current directors. Each nominee attended at least 75% of the aggregate of all fiscal year 2016 meetings of the Board and each Committee on which he or she served.

CORPORATE GOVERNANCE

Standing Board Committees (Meetings Held in Fiscal Year 2016): Audit (8); Compensation and Benefits (6); and Nominating and Governance (4)

Independent Directors Meet without Management: Yes

Separate Chairman and CEO: Yes

Staggered Board: No (all directors elected annually)

Director Retirement Age Limit: Yes (may not stand for election after attaining age 75 without a waiver from the Board)

Stockholder Rights Plan: No

Director and Officer Stock Ownership Guidelines: Yes

Policy Prohibiting Hedging, Short Sale and Pledging: Yes

Recoupment Policy (Clawback): Yes

FISCAL YEAR 2016 HIGHLIGHTS

Although conditions in industrial markets remained challenging throughout 2016, the Company continued to focus on executing against a number of key long-term objectives, including the following:

- Creating disciplined growth;
- Improving manufacturing efficiencies and costs;
- Leveraging invested capital; and
- Diversifying our customer base.

Some of the Company’s highlights of its achievement against these objectives in 2016 include the following:

- In January 2016, we completed the sale of our Bronto Skylift business, receiving proceeds of approximately $88 million. The sale of our Bronto Skylift business removed a low-margin operation that required a disproportionate amount of invested capital and facilitates our focus on more profitable growth opportunities.
- In addition, in January 2016, we executed a new five-year $325 million revolving credit facility to replace our previous $225 million credit facility.
- We continued to apply a disciplined approach in considering potential acquisitions. In January 2016, we completed the acquisition of Westech Vac Systems, Ltd., a Canadian manufacturer of high-quality, rugged vacuum trucks.

Although not significant in size, the acquisition provides access to new product offerings and new markets.

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- In June 2016, the Company completed the acquisition of substantially all the assets and operations of Joe Johnson Equipment, Inc. and Joe Johnson Equipment (USA), Inc. (collectively, "JJE"). The Company expects that JJE will facilitate sales of its existing products into new markets, expand the Company's product and service offerings and increase the Company's footprint across North America. With the acquisition of JJE, the Company's product offerings have expanded to include other products, including those not manufactured by the Company, such as refuse and recycling collection vehicles, camera systems, ice-resurfacing equipment and snow-removal equipment.
- We demonstrated our commitment to returning value to stockholders by paying increased cash dividends of $16.9 million in 2016, up from $15.6 million in 2015.
- We also significantly increased the amount of opportunistic share repurchases under our authorized share repurchase programs, repurchasing approximately 3.0 million shares at an average purchase price of $12.75 per share. Total repurchases in 2016 totaled $37.8 million, compared to $10.6 million in 2015. The remaining aggregate authorization under these programs of $31.4 million at December 31, 2016 represents approximately 4% of our market capitalization.
- Cash flow during 2016 remained healthy, with $26.7 million of cash being generated from continuing operations, facilitating the increased cash returns to shareholders, as well as investments in long-term growth initiatives, including new product development.
- We have also continued to focus on new product development in 2016 and believe that these efforts will provide additional opportunities to diversify further our customer base. Specific examples for industrial markets include investments in new excavator designs to better target utility markets and in internationally certified safety products to expand our global reach.
- We continue to focus on reducing product costs and improving manufacturing efficiencies across all of our businesses. We started our "80/20" efficiency initiatives in 2010, and they have remained a critical part of our culture.
- At December 31, 2016, total debt exceeded total cash and cash equivalents by $13.3 million, and we had $244 million of availability under our credit facility. With our current capital structure, strong balance sheet, availability under our credit facility and positive operating cash flow, we are well positioned to navigate short-term market headwinds and invest in internal growth initiatives, pursue strategic acquisitions and consider ways to return value to stockholders.
- Our debt leverage remained low, at 0.8 times adjusted EBITDA ** as of December 31, 2016.

** As this is a non-GAAP measure, we have included a reconciliation to the most directly comparable GAAP measure in Appendix A.

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PROPOSAL 2: ADVISORY VOTE TO APPROVE THE COMPENSATION OF OUR NEOs

Key Elements of our 2016 Executive Compensation Program:

Compensation Elements	Performance Based	Primary Financial Metric(s)	Terms
Base Salary		N/A	Assessed annually based on individual performance and market data to ensure we attract and retain highly qualified executives.
Short-Term Incentive Bonus (Cash)	ü	Earnings	Annual cash awards designed to incentivize executives to achieve Company and individual objectives. Achievement of financial targets weighted 70%. Achievement of individual objectives weighted 30%. Designed to pay out between 0% and 200% of bonus opportunity based on financial and individual performance. Capped at a maximum of 200% of bonus opportunity.
Long-Term Incentive Bonus (Equity) (1)			Annual equity awards link long-term financial interests of executives to those of our stockholders.
• Performance Share Units	ü	Earnings Per Share from Continuing Operations and Return on Invested Capital	Performance share units are earned only if the threshold is met during a three-year performance period. Any earned shares vest at the end of the performance period.
• Stock Options (2)		Stock Price	Stock options only have value if share price increases over grant date value. Stock options vest ratably over three years.
Indirect Compensation		N/A	Includes access to the same health and welfare and retirement plans available to other eligible employees.

(1) For 2016, long-term equity incentive awards were split 50/50 between performance share units (“PSUs”) and non-qualified stock options. Time-based restricted stock may also be awarded in recognition of performance and is subject to three-year cliff vesting.

(2) In our view, stock options are inherently at-risk because they only have value if share price increases over grant date value.

PROPOSAL 3: ADVISORY VOTE ON THE FREQUENCY OF FUTURE ADVISORY VOTES ON NEO COMPENSATION

In this “say-when-on-pay” vote, we are asking for your advisory vote as to whether an advisory vote on executive compensation should occur every one, two or three years. In 2011, our stockholders voted overwhelmingly in favor of holding annual say-on-pay advisory votes as over 88% of the votes cast were for an annual advisory vote. In accordance with that advisory vote, we have conducted annual say-on-pay advisory votes for the past six years.

After careful consideration of this agenda item, the Board has determined that an annual advisory vote on executive compensation is most appropriate for the Company at this time and demonstrates our commitment to good corporate governance.

PROPOSAL 4: RATIFICATION OF THE APPOINTMENT OF DELOITTE & TOUCHE LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2017

Deloitte & Touche LLP has served as our independent registered public accounting firm since June 2013. Our Board has accepted the recommendation of the Audit Committee and selected Deloitte & Touche LLP to serve in this same role for fiscal year 2017.

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1415 West 22nd Street
Oak Brook, Illinois 60523

Proxy Statement for Annual Meeting of Stockholders
To Be Held on April 21, 2017
GENERAL INFORMATION
Our Board is soliciting your proxy for use at the Annual Meeting of Stockholders to be held at the Regency Towers Conference Center, 1515 West 22nd Street, Oak Brook, Illinois 60523 on Friday, April 21, 2017, at 8:30 a.m., local time. Whenever we refer in this proxy statement to the "Annual Meeting" we are also referring to any meeting that results from an adjournment or postponement of the Annual Meeting. The purpose of the Annual Meeting is:

1. To elect nine directors;
2. To approve, on an advisory basis, the compensation of our NEOs;
3. To vote, on an advisory basis, on the frequency of future advisory votes on our NEO compensation;
4. To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for fiscal year 2017; and
5. To transact such other business that may properly come before the meeting or any adjournment(s) or postponement(s) thereof.

This year we are again furnishing proxy materials to our stockholders primarily by the Internet, instead of mailing copies to each stockholder, in order to save costs and reduce the environmental impact of our Annual Meeting. On March 10, 2017, we mailed a Notice of Internet Availability of Proxy Materials (the "Notice of Internet Availability") to our stockholders. The Notice of Internet Availability contains instructions on how to access this proxy statement, the Notice of Annual Meeting to Stockholders and our 2016 Annual Report on Form 10-K on the Internet at www.proxyvote.com. Stockholders wishing to receive a printed copy of our proxy materials should follow the instructions provided in the Notice of Internet Availability to request a printed copy. Those stockholders who previously requested printed or electronic copies of our proxy materials will receive a printed or electronic copy, as applicable. Printed copies were first mailed on or around March 10, 2017.
Voting Your Shares
Only stockholders owning shares of our common stock on February 28, 2017, the "record date," are entitled to vote. Each stockholder will be entitled to one vote for each share owned on the record date for each of the nine directorships and on each other matter presented at the Annual Meeting. On the record date, there were 59,721,376 shares of our common stock issued and outstanding.
You may vote on the above matters in the following ways:

- By Telephone or Internet: You may vote by telephone or Internet by following the instructions included in the Notice of Internet Availability and in these proxy materials;
- By Written Proxy: If you received a printed copy of the proxy materials, you may vote by written proxy by signing, dating and returning the proxy card in the postage-paid envelope provided; or
- In Person: If you are a stockholder of record, you may vote in person at the Annual Meeting. You are a stockholder of record if your shares are registered in your name. If your shares are in the name of your broker or bank, your shares are held in "street name" and you are not a stockholder of record. If your shares are held in street name and you wish to vote in person at the Annual Meeting, you will need to contact your broker or bank to obtain a legal proxy allowing attendance at the Annual Meeting. If you plan to attend the Annual Meeting in person, please bring proper identification and proof of ownership of your shares.

Our Amended and Restated By-Laws ("By-Laws") provide that a majority of the outstanding shares, present in person or by proxy, will constitute a quorum at the Annual Meeting. For purposes of determining if a quorum is present, we will count: (i) all shares that are voted on any proposal and (ii) all shares that are designated as "withholding authority" to vote for a nominee or nominees or "abstaining" from any proposal, as shares represented at the Annual Meeting.

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If you return a proxy card, but no specific voting instructions are given with respect to a proposal, your shares will be voted "for all" of the nine director nominees named on the proxy card, "for" the advisory approval of the compensation of the Company's NEOs, "1 Year" as to the frequency of future advisory votes on NEO compensation and "for" the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for fiscal year 2017.

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

Broker Non-Votes

Under the rules governing brokers who have record ownership of shares they hold in street name for clients who beneficially own such shares, a broker may vote such shares in its discretion on "routine" matters if the broker has not received voting instructions from its client. However, a broker cannot exercise its discretion to vote shares on "non-routine" matters absent voting instructions from its client. When a broker votes a client's shares on some but not all of the proposals presented at the meeting, each non-routine proposal for which the broker cannot vote because it has not received a voting instruction from the client is referred to as a "broker non-vote." Only Proposal 4 is a routine matter; Proposals 1, 2, and 3 are non-routine matters. Therefore, if your shares are held in street name and you do not provide instructions to your broker as to how your shares are to be voted on Proposals 1, 2 and 3, your broker will not be able to vote your shares on these proposals. Your vote is important! We urge you to provide instructions to your broker so that your votes may be counted.

Votes Required

Our By-Laws provide that in an uncontested election, as is the case in this election, a nominee for director shall be elected to the Board if the votes cast "for" a director exceed the "withhold authority" votes cast with respect to such director nominee's election (Proposal 1). Pursuant to our Corporate Governance Guidelines, each director must submit an irrevocable letter of resignation from our Board prior to every director election. These resignations become effective if the director does not receive more total votes cast "for" his or her election than total "withhold authority" votes cast and the Board, after evaluating the Nominating and Governance Committee's recommended course of action, determines to accept the resignation. The Board will take action within 180 days following the election and will disclose its decision publicly including, if applicable, the reasons for rejecting a resignation.

The affirmative vote of a majority of the votes cast will be required for:

- The approval, on an advisory basis, of the compensation of our NEOs (Proposal 2);
- The approval, on an advisory basis, of the frequency of an advisory vote on our NEO compensation (Proposal 3); and
- The ratification of Deloitte & Touche LLP as our independent registered public accounting firm (Proposal 4).

In tabulating the voting results for Proposals 1, 2 and 3, shares that constitute broker non-votes are not considered votes cast on that proposal. For all Proposals, abstentions are not considered votes cast and are disregarded.

Shares Held in 401(k) Plan

Our 401(k) Plan (the Federal Signal Corporation Retirement Savings Plan) held 918,376 shares of our common stock in the name of Vanguard Fiduciary Trust Company ("Vanguard"), as trustee of the 401(k) Plan, as of February 28, 2017. If you are a participant in our 401(k) Plan, you will also receive a Notice of Internet Availability with respect to shares held on your behalf in the 401(k) Plan. If no proper voting direction is received, Vanguard, in its capacity as the 401(k) Plan Trustee, will vote your shares held in the 401(k) Plan in the same proportion as votes received from other participants in the 401(k) Plan.

Revocability of Proxy

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

- Voting by telephone or Internet on a later date, or delivering a later-dated proxy card if you requested printed proxy materials, prior to or at the Annual Meeting;
- Filing a written notice of revocation with our Corporate Secretary; or
- Attending the Annual Meeting and voting your shares in person (Note: Attendance alone at the Annual Meeting will not revoke a proxy).

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Manner of Solicitation and Solicitation Costs

We will pay the costs of proxy solicitation for the Annual Meeting. Proxies may be solicited by correspondence, electronically, telephone, mail or otherwise. Our directors, officers and employees may solicit proxies but they will not receive any extra compensation for these services. We will reimburse brokers and other nominee holders for their reasonable expenses incurred in forwarding proxy materials to beneficial owners. We do not intend to retain professional proxy solicitation assistance, but we may utilize professional services in the future.

Stockholder Questions

If you have any questions about the Annual Meeting, please submit them to Federal Signal Corporation, 1415 West 22nd Street, Suite 1100, Oak Brook, IL 60523, Attn: Corporate Secretary, or call our Corporate Secretary at 630-954-2012. If you would like to receive printed copies of the proxy materials, please follow the instructions on the Notice of Internet Availability.

OWNERSHIP OF OUR COMMON STOCK

Common stock is our only class of voting securities. The following table identifies beneficial owners, of which we are aware, that hold more than five percent of our common stock as of February 28, 2017.

Beneficial Owners of More than Five Percent of Our Common Stock

Name	Amount and Nature of Beneficial Ownership	Percent of Outstanding Common Stock (1)
BlackRock, Inc. 55 East 52nd Street New York, NY 10055	7,043,176 (2)	11.8%
Dimensional Fund Advisors LP Building One 6300 Bee Cave Road Austin, TX 78746	5,019,298 (3)	8.4%
Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078	4,240,401 (4)	7.1%

(1) Based on 59,721,376 shares of common stock issued and outstanding as of February 28, 2017.

(2) Based solely on a Schedule 13G (Amendment No. 9) filed with the Securities and Exchange Commission ("SEC") on January 12, 2017, in which BlackRock, Inc. reported that, as of December 31, 2016, it had sole voting power over 6,905,440 shares and sole dispositive power over 7,043,176 shares.

(3) Based solely on a Schedule 13G (Amendment No. 3) filed with the SEC on February 9, 2017, in which Dimensional Fund Advisors LP reported that, as of December 31, 2016, it had sole voting power over 4,836,826 shares and sole dispositive power with respect to 5,019,298 shares in its capacity as an investment adviser registered under the Investment Advisors Act of 1940 to four investment companies and as investment manager to certain other commingled group trusts and separate accounts. Dimensional Fund Advisors LP disclaims beneficial ownership of these shares.

(4) Based solely on a Schedule 13G (Amendment No. 11) filed with the SEC on February 3, 2017, in which Franklin Mutual Advisers, LLC reported that, as of December 31, 2016, it had sole voting and dispositive power with respect to all shares.

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Stock Ownership of Directors and Management

The following table sets forth the beneficial ownership of our common stock held by each of our directors and NEOs individually and as a group as of February 28, 2017.

Name (1)	Amount and Nature of Beneficial Ownership (2)(3)	Percent of Outstanding Common Stock (4)
Brian S. Cooper	94,626	*
James E. Goodwin (5)	143,196	*
Ian A. Hudson	34,136	*
Paul W. Jones (5)	120,670	*
Bonnie C. Lind (5)	18,660	*
Dennis J. Martin (5)	1,085,819	1.8%
Samuel E. Miceli	50,908	*
Richard R. Mudge (5)	60,635	*
William F. Owens (5)	71,691	*
Brenda L. Reichelderfer (5)	121,157	*
Jennifer L. Sherman	473,719	*
John L. Workman (5)	35,156	*
All Directors and Executive Officers as a Group (16 persons) (6)	2,511,099	4.2%

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

(2) Totals include shares subject to stock options exercisable within 60 days of February 28, 2017 as follows: Mr. Cooper, 58,742; Mr. Goodwin, 53,317; Mr. Hudson, 8,968; Mr. Jones, 3,317; Ms. Lind, 5,000; Mr. Martin, 712,166; Mr. Miceli, 14,731; Dr. Mudge, 5,000; Ms. Reichelderfer, 3,317; Ms. Sherman, 268,393; and Mr. Workman, 5,000. All directors and executive officers as a group hold stock options exercisable within 60 days of February 28, 2017 with respect to 1,137,951 shares. Totals also include shares held in our 401(k) Plan as follows: Mr. Miceli, 8,001; and Ms. Sherman, 49,850.

(3) Totals do not include restricted stock units that are vested but for which delivery has been deferred at the election of the director, as follows: Mr. Goodwin, 25,161; Ms. Lind, 6,026; Dr. Mudge, 23,361; and Mr. Owens, 9,870.

(4) Based upon 59,721,376 shares of common stock issued and outstanding as of February 28, 2017 and, for each director or executive officer or the group, the number of shares subject to stock options exercisable by such director or executive officer or the group within 60 days of February 28, 2017. The use of “*” denotes percentages of less than 1%.

(5) Denotes non-employee director. Mr. Martin transitioned from Executive Chairman of the Company to Chairman of the Board effective December 31, 2016.

(6) The information contained in this row of the table is based upon information furnished to us by the named individuals above, our other Section 16 Officers and from our records. Each director and officer claims sole voting and investment power with respect to the shares listed above.

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PROPOSAL 1
ELECTION OF NINE DIRECTORS

In accordance with the recommendation of the Nominating and Governance Committee, our Board has nominated the following nine individuals for election at the Annual Meeting to hold office for one year or until their successors are elected and qualified: James E. Goodwin, Paul W. Jones, Bonnie C. Lind, Dennis J. Martin, Richard R. Mudge, William F. Owens, Brenda L. Reichelderfer, Jennifer L. Sherman and John L. Workman. All director nominees are incumbent members of our Board.

Pursuant to our By-Laws, in an uncontested election, as is the case in this election, a nominee for director shall be elected to the Board if the votes cast “for” such nominee’s election exceed the “withhold authority” votes cast with respect to such nominee’s election. Each of the nominees has consented to being named in this proxy statement and to serve if elected. If any of the nominees should decline or be unable to serve as a director, the persons named as proxies will vote your proxies for such other nominee(s) as the Nominating and Governance Committee may nominate to provide for a full Board.

The Board recommends a vote “FOR ALL” nominees for director proposed by the Board.

Information Regarding Directors and Nominees

On an annual basis, the Nominating and Governance Committee reviews with our Board the applicable skills and characteristics required of Board nominees and recommends nominees to the Board. The Nominating and Governance Committee is comprised solely of independent members of our Board.

When identifying nominees, the Nominating and Governance Committee considers: (i) current Board composition; (ii) past performance for existing director nominees; (iii) the Company’s objectives and position; and (iv) the qualifications and qualities of individual candidates. Characteristics with particular relevance and weight include core competencies, experience, independence, level of commitment, integrity, high personal and professional ethics, personal accomplishment, understanding of our business, gender, age and ethnic diversity. The Nominating and Governance Committee may also engage a third party to assist in identifying potential director nominees.

Set forth below are biographical summaries for each nominee as of the record date, along with a description of the key qualifications and relevant experience that led the Board to conclude that he or she is well-qualified to serve as a member of our Board.

	Mr. Goodwin was elected Lead Independent Director of the Board effective January 1, 2016 and had previously served as Chairman of our Board since April 2009. He served as interim President and CEO of our Company from December 2007 until September 2008. From October 2001 to December 2007, Mr. Goodwin operated his own independent consulting business. He resumed this business in September 2008 and continues to operate it to date. Mr. Goodwin also serves as a member of the Advisory Board of Wynnchurch Capital, a private equity company, a position he has held since January 2013. From July 1999 to October 2001, Mr. Goodwin served as Chairman and CEO of United Airlines, a worldwide airline operator (NYSE: UAL). Mr. Goodwin also serves as a member of the Board of Directors of AAR Corp., a manufacturer of products for the aviation/aerospace industry (NYSE: AIR), and John Bean Technologies Corporation, a manufacturer of industrial equipment for the food processing and air transportation industries (NYSE: JBT), serving in such positions since April 2002 and July 2008, respectively.
James E. Goodwin	Key Qualifications:
Director since October 2005	• Extensive background in global operations, broad management experience and strategic leadership skills
Committees:	• In-depth understanding of our Company and its industry
• Nominating and Governance	• Significant experience as a Chairman, CEO and director of publicly traded companies

• Compensation and Benefits

Age: 72

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Paul W. Jones Director since December 1998 Committees: • Nominating and Governance (Chair) • Compensation and Benefits Age: 68	Effective April 2014, Mr. Jones retired as Executive Chairman of A. O. Smith Corporation, a manufacturer of water heating and water treatment systems (NYSE: AOS), a position he held since January 2013. From December 2005 to January 2013, he was Chairman and CEO of A. O. Smith Corporation, and from January 2004 until December 2005, he was President and Chief Operating Officer ("COO"). Mr. Jones has served on the Board of Directors of A. O. Smith Corporation since December 2004. In December 2014, Mr. Jones joined the Board of Directors of Rexnord Corporation, a manufacturer of water management systems (NYSE: RXN). In July 2015, he was elected Non-Executive Chairman of Rexnord Corporation. Mr. Jones also has served on the Board of Directors of Integrys Energy Group, Inc., a utility holding company (formerly NYSE: TEG), from December 2011 to June 2015 when it was acquired by WEC Energy Group, Inc., a distributor of electric energy (NYSE: WEC). On the date of the acquisition, Mr. Jones was elected to the Board of WEC Energy Group, Inc. From July 2006 to July 2011, Mr. Jones served as a member of the Board of Directors of Bucyrus International, Inc., a manufacturer of mining and construction machinery (formerly NASDAQ: BUCY), until its acquisition by Caterpillar Inc. Mr. Jones also serves as a member of the Board of Directors of the United States Chamber of Commerce since March 2008. Key Qualifications: • Extensive management and manufacturing experience with multinational companies • Significant experience as a Chairman, CEO and director of publicly traded companies • Experienced strategist focused on enterprise growth
Bonnie C. Lind Director since February 2014 Committees: • Audit Age: 58	Ms. Lind is Senior Vice President, CFO and Treasurer of Neenah Paper, Inc., a technical specialties and fine paper company (NYSE: NP). Ms. Lind joined Neenah Paper, Inc. in June 2004 as CFO to execute the spin-off from Kimberly-Clark Corporation, a manufacturer of personal care, consumer tissue and health care products (NYSE: KMB). Ms. Lind was an employee of Kimberly-Clark Corporation from 1982 until 2004, holding a variety of increasingly senior financial and operations positions and served as their Assistant Treasurer from 1999 until June 2004. From April 2009 to January 2017, Ms. Lind served on the Board of Directors of Empire District Electric Company ("Empire"), a utility generating, transmitting and distributing power to southwestern Missouri and adjacent areas (formerly NYSE: EDE). Ms. Lind was a member of Empire's Audit Committee and Chairman of its Nominating and Corporate Governance Committee until the company was acquired in January 2017. Key Qualifications: • Vast experience in manufacturing, financing and mergers and acquisitions • Deep finance and treasury experience • Extensive leadership and managerial experience

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Dennis J. Martin Director since March 2008 Committees: None Age: 66	Mr. Martin was named Chairman of the Board on January 1, 2017. He previously served as our Executive Chairman beginning in January 2016, and as our President and CEO from October 2010 through December 2015. Mr. Martin has been a member of our Board since March 2008. Prior to becoming our President and CEO, Mr. Martin served as an independent business consultant to manufacturing companies. Mr. Martin has served as a director of Essendant Inc. (NASDAQ: ESND), a leading supplier of workplace essentials, since July 2016. From May 2001 to August 2005, Mr. Martin was the Chairman, President and CEO of General Binding Corporation, a manufacturer and marketer of binding and laminating office equipment (formerly NASDAQ: GBND), until its acquisition by Acco World Brands. Mr. Martin served as a director of HNI Corporation, a provider of office furniture and hearths (NYSE: HNI), from July 2000 to May 2016. Mr. Martin served on the Board of Directors of Coleman Cable, Inc. (“Coleman”), a manufacturer and innovator of electrical and electronic wire and cable products (formerly NASDAQ: CCIX), from February 2008 until February 2014 when Coleman was purchased by Southwire Company. Mr. Martin also served on the Board of Directors of A. O. Smith Corporation, a manufacturer of water heating systems and electric motors (NYSE: AOS), from January 2004 until December 2005. Key Qualifications: • Expertise in manufacturing and business process engineering • Accomplished sales strategist • In-depth knowledge of our Company and its operations as our former President and CEO
Richard R. Mudge Director since April 2010 Committees: • Audit Age: 71	Dr. Mudge is President of Compass Transportation and Technology Inc., a private economic and financial consulting firm, a position he has held since December 2013. Dr. Mudge previously served as the Vice President of the U.S. Infrastructure Division of Delcan Corporation from 2002 until December 2013 and he had served on the Board of Directors of Delcan’s U.S. subsidiary from 2005 until December 2013. Dr. Mudge previously served as President of the transportation subsidiary of U.S. Wireless Corporation, from April 2000 to December 2001, and as Managing Director of Transportation for Hagler Bailly, Inc., a worldwide provider of management consulting services to the energy and network industries (formerly NASDAQ: HBIX), from 1998 to 2000. In 1986, Dr. Mudge co-founded Apogee Research Inc. (“Apogee”), an infrastructure consulting firm, and served as its President until 1995 and then as its Chairman of the Board from 1995 until 1997, when Apogee merged with Hagler Bailly. Dr. Mudge also worked for the Congressional Budget Office from 1975 to 1986 where he became Chief of the Public Investment Unit and for the Rand Corporation where he served as Director of Economic Development Studies from 1972 to 1975. Key Qualifications: • Expertise across multiple facets of the transportation industry • Leadership in technology, finance, business, government policy and research • Experience growing businesses

Mr. Owens serves on the Board of Directors of Bill Barrett Corporation, an independent oil and gas company (NYSE: BBG); Cloud Peak Energy, Inc., a sub-bituminous steam coal producer (NYSE: CLD); positions he has held since May 2010 and January 2010, respectively. Mr. Owens served on the Board of Directors of Key Energy Services, Inc. an oil well services company (NYSE: KEG) from January 2007 to December 2016 and on the Board of Directors of Far Eastern Shipping Company Plc., a shipping and railroad company listed on the Moscow exchange (MOEX: FESH), from June 2007 to June 2012. Since April 2013, Mr. Owens has served as the Chairman of the Supervisory Board of the Credit Bank of Moscow, a private bank headquartered in Moscow.

Mr. Owens serves as a Senior Director of government law and policy at Greenberg Traurig, LLP, an international law firm. Mr. Owens served as Governor of Colorado from 1999 to 2007. Prior to that, he served as Treasurer of Colorado (1995-1999) and as a member of the Colorado Senate (1989-1995) and the Colorado House of Representatives (1983-1989).

William F. Owens

Director since April 2011

Committees:
• Compensation and Benefits
• Nominating and Governance

Age: 66

Key Qualifications:

- Extensive experience in international business
- Management expertise across a broad range of industries
- Distinguished government background

Brenda L. Reichelderfer

Ms. Reichelderfer is Senior Vice President and Managing Director of TriVista Business Group, a management consulting and advisory firm, a position she has held since July 2008. Since June 2011, Ms. Reichelderfer has served on the Board of Directors of Meggitt PLC, a global defense and aerospace firm, the shares of which are listed on the London Stock Exchange (MGGT: LSE). Since January 2016, she has served on the Board of Directors of Moog Inc., a designer and manufacturer of precision motion and fluid control systems for aerospace, defense and industrial markets worldwide (NYSE: MOG-A). From April 2010 to June 2014, she served on the Board of Directors of Wencor Group LLC, an aerospace distribution business owned by a private equity firm. From 2008 to 2014, Ms. Reichelderfer served as a member of the Technology Transfer Advisory Board of The Missile Defense Agency, a division of the United States Department of Defense. Until May 2008, Ms. Reichelderfer was Group President (from December 1998), Senior Vice President (from December 2002) and Corporate Director of Engineering and Chief Technology Officer (from October 2005) of ITT Corporation, a global engineering and manufacturing company (NYSE: ITT).

Director since October 2006

Committees:
• Compensation and Benefits (Chair)
• Nominating and Governance

Key Qualifications:

- Expertise in growing industrial and aerospace businesses
- Extensive experience in operations, innovation and new product development
- Significant international business experience

Age: 58

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Jennifer L. Sherman Director since January 2016 Committees: None Age: 52	Ms. Sherman was appointed President and CEO of our Company on January 1, 2016, and joined our Board on the same date. Prior to that, she served as our COO from April 2014 through December 2015, Chief Administrative Officer from October 2010 to April 2014 and General Counsel from March 2004 to November 2015. Ms. Sherman has been an employee of our Company since 1994. She also serves on the Board of Directors of Franklin Electric Co., Inc., a global water and fueling system manufacturer (NASDAQ: FELE), a position she has held since January 2015. Key Qualifications: • In-depth understanding of our Company and its industry • Extensive experience across a broad range of areas, including finance, legal, compliance, governance and business operations
John L. Workman Director since February 2014 Committees: • Audit (Chair) Age: 65	In June 2014, Mr. Workman retired as CEO of Omnicare, Inc., a healthcare services company specializing in the management of pharmaceutical care in 47 states, a position he had held since June 2012 (formerly NYSE: OCR). From February 2011 to June 2012, Mr. Workman was Omnicare's President and CFO and held the position of Executive Vice President and CFO from November 2009 until February 2011. Mr. Workman also served on the Board of Directors of Omnicare, Inc. from September 2012 to June 2014. From September 2004 to November 2009, Mr. Workman served as Executive Vice President and CFO of HealthSouth Corporation, a provider of inpatient rehabilitation services in the U.S. (NYSE: HLS). Mr. Workman held the positions of CEO (from February 2003 to April 2004), COO (from October 2002 to February 2003), and CFO (from August 1998 to October 2002) of U.S. Can Corporation (formerly NYSE: USC), a manufacturer of aerosol and general line cans sold in the U.S., Europe and South America. Mr. Workman has been a member of the Board of Directors of Universal Hospital Services, Inc., a private company that provides technology and medical equipment to the healthcare industry services, since November 2014. Effective April 2015, Mr. Workman was appointed the non-Executive Chairman of the Board of Directors of Universal Hospital Services, Inc. Since July 2015, Mr. Workman serves as a director of CONMED Corporation (NASDAQ: CNMD), an international manufacturer of equipment and disposables for orthopedic and other general lines of surgery. He has also served as a director of Care Capital Properties, Inc. (NYSE: CCP), a healthcare REIT, since August 2015. Mr. Workman served on the Boards of APAC Customer Services, Inc. (formerly NASDAQ: APAC), a provider of customer care out-sourcing solutions, from June 2008 to October 2011 and U.S. Can Corporation from 2000 to 2004. Key Qualifications: • Broad-based executive and leadership experience in a variety of businesses and disciplines • Financial expertise • Executive experience with focus on optimizing capital structure

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INFORMATION CONCERNING THE BOARD

Board Leadership Structure and Role in Risk Oversight

We separate the roles of CEO and Chairman of the Board. Separating these positions allows our CEO to focus on the day-to-day leadership and performance of our Company while allowing our Chairman to lead our Board in its fundamental role of providing advice to and oversight of management. The independent Board members have also elected a Lead Independent Director who serves as principal liaison between the CEO and the independent directors, approves agendas for Board meetings, chairs meetings of the independent directors in executive sessions and provides independent governance oversight of management. Our Board believes that separating the roles of CEO and Chairman, with an independent director serving as Lead Independent Director, is the appropriate leadership structure for our Company at this time and demonstrates our commitment to good corporate governance. The Board retains the authority to modify this leadership structure as and when appropriate to best address the Company's current circumstances and to advance the interests of all stockholders.

Our Board has overall responsibility for the oversight of risk management. Day-to-day risk management is the responsibility of management, which has implemented the Enterprise Risk Management process to identify, assess, manage and monitor risks that our Company faces. Enterprise Risk Management is administered by our Company officers and is discussed and reviewed by our executive management. Our Internal Audit function is responsible for monitoring the program.

Our Board, either as a whole or through its Committees, regularly discusses with management: (i) our major risk exposures; (ii) the potential impact of such exposures on our Company; and (iii) the steps we take to monitor, control and remediate such exposures. In addition, the Board receives an annual overview of significant risks along with risk mitigation plans.

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

Attendance at Board and Committee Meetings

During fiscal year 2016, our Board held eight meetings, the Audit Committee held eight meetings, the Compensation and Benefits Committee held six meetings and the Nominating and Governance Committee held four meetings. Our Corporate Governance Guidelines require regular attendance by our directors at Board meetings and their respective Committee meetings. All directors who served in 2016 attended at least 75% of our Board meetings and their Committee meetings.

Independence of Members of the Board

The Board has determined that all of its directors, other than Mr. Martin and Ms. Sherman, qualify as independent. In making this determination, the Board considered the rules of the NYSE and the SEC. The Board also reviewed information provided by the directors and nominees in questionnaires and other certifications concerning their relationships to our Company (including relationships of each director's immediate family members and other associates to our Company).

Committees of the Board

Pursuant to our By-Laws, we have established standing Board Committees, including: (i) Audit; (ii) Compensation and Benefits; and (iii) Nominating and Governance. The Board has determined that all of the members of these Committees are independent as defined under applicable NYSE and SEC rules. The Board has adopted a charter for each Committee to comply with the requirements of the NYSE and applicable law, copies of which are available on our website at www.federalsignal.com.

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Current Committee Membership

Name	Audit	Compensation and Benefits	Nominating and Governance
James E. Goodwin	—	ü	ü
Paul W. Jones	—	ü	Chair
Bonnie C. Lind (1)	ü	—	—
Dennis J. Martin	—	—	—
Richard R. Mudge	ü	—	—
William F. Owens	—	ü	ü
Brenda L. Reichelderfer	—	Chair	ü
Jennifer L. Sherman	—	—	—
John L. Workman (1)	Chair	—	—

(1) The Board has determined that Mr. Workman and Ms. Lind each qualify as an "audit committee financial expert" as defined by the SEC.

Audit Committee

The Audit Committee is responsible for monitoring:

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

In fulfilling its role, the Audit Committee reviews the design and operation of internal control processes and the manner in which we control our major financial risk exposures. The Audit Committee has direct and regular access to our financial executives, including our Vice President of Internal Audit, Corporate Controller, CFO, Chief Compliance Officer ("CCO") and independent auditor. The Audit Committee has the sole authority to appoint or replace our independent auditor, and is directly responsible for overseeing its work and determining its compensation. The Audit Committee also considers and approves the performance of non-audit services by our independent auditor, taking into consideration the effect that the performance of non-audit services may have upon our auditor's independence. None of the Audit Committee members serves on more than three audit committees of publicly traded companies (including our Company).

Compensation and Benefits Committee

The Compensation and Benefits Committee is responsible for formulating and overseeing effective implementation of our compensation and benefits philosophy. This Committee sets compensation objectives, determines the components of compensation and establishes and evaluates performance goals for our executive officers. The functions of this Committee are further described in this proxy statement under the heading "Compensation Discussion and Analysis."

The Compensation and Benefits Committee recently conducted a compensation risk assessment of the various elements of our Company's overall compensation programs, including incentive compensation programs. The Committee reviewed current and evolving best practice guidance and our compensation programs and policies, including appropriate internal controls to mitigate and reduce risk. The Committee concluded that our compensation programs and policies are in accordance with best practices and do not create excessive and unnecessary risk. Our Company and the Committee will strive to maintain proper policies and procedures to ensure ongoing management and assessment of compensation practices as they relate to best practices and risk.

Nominating and Governance Committee

The Nominating and Governance Committee is responsible for recommending guidelines to the Board for corporate governance, including the structure and function of our Board, its Committees and the management of our Company. This Committee also identifies and recommends nominees for election to our Board and advises the Board regarding appropriate director compensation.

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Stockholders may recommend individuals to the Nominating and Governance Committee to be considered as potential directors by giving written notice to our Corporate Secretary at least 90 days, but not more than 120 days, prior to the anniversary of the preceding year's Annual Meeting. Such recommendations must be accompanied by the specific information required by our By-Laws, including but not limited to: (i) the name and address of the nominee; (ii) the number of shares of our common stock beneficially owned by the stockholder (including associated persons) nominating such nominee; and (iii) an SEC appropriate consent by the nominee to serve as a director if elected. If you would like to receive a copy of the provisions of our By-Laws setting forth all of the requirements, please send a written request to Federal Signal Corporation, 1415 West 22nd Street, Suite 1100, Oak Brook, IL 60523, Attn: Corporate Secretary. The Nominating and Governance Committee will consider stockholder nominees on the same basis as other nominees.

The Nominating and Governance Committee has set no specific minimum qualification for a nominee to the Board. Under our Corporate Governance Guidelines, no person may stand for election as director: (i) after attaining age 75 without a waiver from the Board; (ii) if he or she serves on more than five boards of publicly traded companies; or (iii) if he or she is the CEO of a publicly traded company and serves on more than three boards of publicly traded companies.

Pursuant to our director resignation policy contained in our Corporate Governance Guidelines, each director nominee must submit an irrevocable letter of resignation from our Board prior to every director election. These resignations become effective if the director does not receive more total votes cast "for" his or her election than total "withhold authority" votes cast and the Board, after evaluating the Nominating and Governance Committee's recommended course of action, determines to accept the resignation. The Board will take action on the Committee's recommendation within 180 days following the election and will disclose its decision publicly including, if applicable, the reasons for rejecting a resignation.

Director Compensation in the Last Fiscal Year

The following table details the compensation provided to each non-employee director for fiscal year 2016. Our current Chairman, Mr. Martin, served as Executive Chairman in 2016. Neither he nor our President and CEO, Ms. Sherman, received any additional compensation for their service on our Board in 2016.

Non-Employee Director Compensation in Fiscal Year 2016

Name	Fees Earned or Paid in Cash (1)	Stock Awards (2)	Option Awards (3)	Other Compensation	Total
James E. Goodwin (4)	$ 108,500	$ 90,000	$ —	$ —	$ 198,500
Paul W. Jones	$ 72,000	$ 75,000	$ —	$ —	$ 147,000
Bonnie C. Lind	$ 67,520	$ 75,000	$ —	$ —	$ 142,520
Richard R. Mudge	$ 68,000	$ 75,000	$ —	$ —	$ 143,000
William F. Owens	$ 71,000	$ 75,000	$ —	$ —	$ 146,000
Brenda L. Reichelderfer	$ 76,000	$ 75,000	$ —	$ —	$ 151,000
John L. Workman	$ 74,008	$ 75,000	$ —	$ —	$ 149,008

(1) Includes the following share amounts awarded in lieu of cash using the closing share price of our common stock on the grant date: Ms. Lind, 645 deferred stock units.

(2) Each non-employee director is issued a stock award annually. The annual award is determined by dividing $75,000 ($90,000 in the case of our Lead Independent Director) by the closing price of our common stock on the grant date. Amounts stated reflect the grant date fair value computed in accordance with Accounting Standards Codification 718 "Compensation — Stock Compensation" ("ASC 718"). The following awards were granted to the non-employee directors on April 26, 2016, at a closing share price of $13.94: 6,457 shares of common stock to Mr. Goodwin as Lead Independent Director and 5,381 shares of common stock to each of Messrs. Jones, Mudge and Workman, and Ms. Reichelderfer. Mr. Owens and Ms. Lind received 5,381 deferred shares in the form of restricted stock units. As of December 31, 2016, each non-employee director held the following aggregate number of shares: Mr. Goodwin, 115,040 shares, including 25,161 deferred shares held in the form of restricted stock units; Mr. Jones, 117,353

shares; Ms. Lind, 19,686 shares, including 6,026 deferred shares held in the form of restricted stock units; Dr. Mudge, 78,996 shares, including 23,361 deferred shares held in the form of restricted stock units; Mr. Owens, 81,561 shares, including 9,870 deferred shares held in the form of restricted stock units; Ms. Reichelderfer, 117,840 shares; and Mr. Workman, 30,156 shares. Excluding initial awards upon appointment to our Board, stock awards to non-employee directors are not subject to vesting requirements.

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(3) No stock options were granted to any of the directors during the fiscal year ended December 31, 2016. As of December 31, 2016, each non-employee director had the following number of stock options outstanding: Mr. Goodwin, 53,317; Mr. Jones, 3,317; Ms. Lind, 5,000; Dr. Mudge, 5,000; Mr. Owens, 0; Ms. Reichelderfer, 3,317; and Mr. Workman, 5,000. For information on the assumptions used to calculate the value of the stock option awards, refer to Note 13 — Stock-Based Compensation to our consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, as filed with the SEC on February 28, 2017.

(4) Mr. Goodwin served as Lead Independent Director. In that capacity, he received an annual retainer of $87,500, Committee membership fees of $6,000 per Committee and meeting fees of $1,500 for each board meeting attended in person and $500 for each board meeting attended by telephone. His fees in the first column are comprised of an annual retainer of $87,500, Committee membership fees of $12,000 and board meeting fees of $9,000.

Additional Information about Director Compensation

In advising our Board on compensation for non-employee directors, the Nominating and Governance Committee may consult third-party advisors, generally available source material, proxy statements and data from peer companies. Non-employee directors receive both cash and equity compensation and are subject to a common stock ownership requirement designed to align their interests with those of our stockholders. Our employee director, Ms. Sherman, is subject to stock ownership requirements as an executive officer (see “Compensation Discussion and Analysis — Executive Stock Ownership Requirements”).

Cash Compensation

The table below sets forth our fiscal year 2016 cash compensation structure for non-employee directors.

2016 Cash Compensation of Our Non-Employee Directors

	Annual Retainer	Per Diem Fee	Board Meeting Attended in Person (1)	Board Meeting Attended by Telephone
Executive Chairman (2)	$—	$ —	$ —	$ —
Lead Independent Director	$87,500	$ —	$ 1,500	$ 500
Director (excluding Lead Independent Director)	$50,000	$ —	$ 1,500	$ 500
Audit Committee Chair	$15,000	$ —	$ —	$ —
Audit Committee Member	$9,000	$ —	$ —	$ —
Compensation & Benefits Committee Chair	$12,000	$ —	$ —	$ —
Compensation & Benefits Committee Member	$6,000	$ —	$ —	$ —
Nominating & Governance Committee Chair	$10,000	$ —	$ —	$ —
Nominating & Governance Committee Member	$6,000	$ —	$ —	$ —

(1) Directors are also reimbursed for their out-of-pocket expenses relating to attendance at Board and Committee meetings.

(2) Mr. Martin did not receive cash compensation for his service on the Board as Executive Chairman during fiscal year 2016. He retired from employment effective December 31, 2016 and transitioned to Chairman of the Board. In 2017, as Chairman of the Board, Mr. Martin will receive an annual retainer, currently valued at $90,000, as well as fees for attendance at in-person and telephonic Board meetings, which are currently valued at $3,000 and $500 per meeting, respectively. Mr. Martin will also be entitled to receive a per diem fee for other time spent on Company business, which is currently valued at $2,500 per day, up to a maximum of $150,000 per year.

Equity Compensation

Upon initial appointment or election to our Board, each non-employee director receives a grant of 5,000 stock options, subject to three-year cliff vesting. Thereafter, our non-employee directors typically receive an annual stock award as partial compensation for their Board service. The table below sets forth the equity awards granted on April 26, 2016, the date of our 2016 Annual Meeting of Stockholders, to our non-employee directors as compensation for their service in fiscal year 2016.

2016 Annual Equity Awards Granted to Non-Employee Directors

	Common Stock Award
Lead Independent Director	$ 90,000
Non-employee director (excluding the Lead Independent Director)	$ 75,000

Mr. Martin did not receive an equity award in connection with his service on the Board as Executive Chairman during fiscal year 2016. He retired from employment effective December 31, 2016 and transitioned to Chairman of the Board. As Chairman of the Board in 2017, he will receive an equity award with a grant date value of $90,000. Pursuant to our Director Compensation Policy, the number of shares of common stock awarded is determined by dividing the dollar amount of the award by the closing market price of our common stock on the grant date.

Director Deferred Stock Compensation Program

Our non-employee directors may elect before the beginning of each year to defer receipt of some or all of the shares of Company stock that they are entitled to receive as compensation for Board service during the upcoming year. Under this program, instead of receiving shares of Company stock, the director receives an equivalent number of fully vested unrestricted stock units that are ultimately distributable on a date or dates selected by the director, subject to certain restrictions. The directors are given a one-time right to further defer the original distribution of stock to a date that is at least five years after the originally scheduled payment date. Distributions under the program are only payable in shares of Company stock. During 2016, Mr. Owens and Ms. Lind elected to defer stock under the program.

Director Stock Ownership Guidelines

We require our non-employee directors to own common stock valued at five times their annual retainers. All of our non-employee directors have met their target ownership levels. Under our rules, until target ownership is met, at least 50% of a non-employee director’s annual compensation fees are paid in shares of our common stock. We prohibit non-employee directors from selling their shares until they have met the holding requirement. However, they may tender shares: (i) to pay taxes upon the exercise of stock options or the vesting of shares of restricted stock or (ii) for the exercise price upon the exercise of stock options. Stock ownership value is calculated annually. Once a determination has been made that the target ownership has been achieved, a decrease in the value of our common stock will not impact the determination. Also, after achieving the ownership target, each director is required to hold 50% of the net shares received from exercised options or vested shares of common stock (over and above the target ownership level) for at least two years from the date of exercise or vesting.

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

We are committed to good corporate governance. We believe the foundation of our corporate governance is: (i) the independence of our directors; (ii) the separation of the roles of our CEO and our Chairman of the Board; (iii) the election of a Lead Independent Director; and (iv) our commitment to both responsible corporate citizenship and the interests of our stockholders. In accordance with the requirements of the NYSE and the Sarbanes-Oxley Act of 2002, our Board has adopted Corporate Governance Guidelines as well as charters for each of the standing Board Committees. These guidelines and charters, as well as our Policy for Business Conduct and Policy for Business Conduct-Directors (together, the “Business Conduct Policies”) and a Code of Ethics, which is applicable to our President and CEO and our other senior officers, are available for review on our website at www.federalsignal.com. We intend to post on our website any amendments to, or waivers from, the Code of Ethics within four business days of such amendment or waiver.

The non-employee directors of the Board meet in executive session without management, as appropriate. The Lead Independent Director presides over executive sessions. Directors may be contacted as a group, by Committee or individually, and the Chairman, Lead Independent Director or the non-employee directors as a group may be contacted on an anonymous and/or confidential basis by addressing a letter to Federal Signal Corporation, 1415 West 22nd Street, Suite 1100, Oak Brook, IL 60523, Attn: Corporate Secretary. These letters will be forwarded to the Chairman, Lead Independent Director or the non-employee directors as designated in the letter. We encourage our directors to attend our Annual Meetings of Stockholders. All of our then-current directors attended the 2016 Annual

Meeting of Stockholders.

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COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During fiscal year 2016, all members of our Compensation and Benefits Committee were independent directors, and no member, other than Mr. Goodwin, was a current or former employee of the Company. None of our executive officers served on the compensation committee (or its equivalent) or board of directors of another company that, in turn, had an executive officer serving on our Compensation and Benefits Committee and/or our Board.

CERTAIN RELATIONSHIPS AND RELATED-PARTY TRANSACTIONS

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

Pursuant to our Business Conduct Policies and the Audit Committee Charter, our Chairman, CFO and CCO implement our Business Conduct Policies, and the Audit Committee reviews, approves, ratifies and makes recommendations to our Board regarding related-party transactions.

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

During fiscal year 2016, we determined that none of our directors, nominees for director, executive officers, stockholders owning more than 5% of our common stock or immediate family members of any such persons engaged in a transaction with us in which he or she had a direct or indirect material interest that required disclosure under applicable SEC rules, with the exception of the following:

The son of Dennis J. Martin, Chairman of the Board of Directors, is employed as Director and General Manager of United Electric Englewood Electrical Supply ("EESCO"), a division of WESCO International, Inc. ("WESCO"). During 2016, the Company sold products to WESCO for aggregate consideration of approximately $4.2 million. Of that amount, sales to EESCO were approximately $130,000. Mr. Martin's son is not responsible for the purchasing decisions of WESCO or EESCO. Mr. Martin did not participate in the solicitation of the Company's business with WESCO and did not receive any material benefit from the transactions. Consistent with our Business Conduct Policies, this relationship and the related transactions were disclosed to the Audit Committee. Given that the terms and conditions of the transactions were no less favorable to the Company than those which would have been available from unrelated parties, the transactions were considered to be permissible.

The son of Samuel E. Miceli, Senior Vice President of the Environmental Solutions Group, is employed as a Machinist at Mennie Machine Company ("MMC"). During 2016, the Company purchased products from MMC for aggregate consideration of approximately $500,000. Mr. Miceli's son did not participate in the solicitation of the Company's business, nor is he responsible for or involved with sales to the Company. Furthermore, Mr. Miceli is not directly involved in the Company's relationship with MMC and did not receive any material benefit from the transactions. Consistent with our Business Conduct Policies, this relationship and the related transactions were disclosed to the Audit Committee. Given that the terms and conditions of the transactions were no less favorable to the Company than those which would have been available from unrelated parties, the transactions were considered to be permissible.

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COMPENSATION DISCUSSION AND ANALYSIS

In this section, we provide information about the material components of our executive compensation programs for our 2016 NEOs:

- Jennifer L. Sherman, President and CEO;
- Dennis J. Martin, Chairman of the Board (retired as Executive Chairman of the Company on December 31, 2016);
- Brian S. Cooper, Senior Vice President and CFO;
- Ian A. Hudson, Vice President and Corporate Controller; and
- Samuel E. Miceli, Senior Vice President, Environmental Solutions Group.

We encourage you to read this section in conjunction with Proposal 2, the Say-on-Pay Advisory Vote regarding compensation of our NEOs, as this section includes: (i) a review of our 2016 performance; (ii) a description of the role of our Compensation and Benefits Committee (the "Committee") in setting and determining compensation; and (iii) a summary of our 2016 NEO compensation.

The Committee values and carefully considers stockholder feedback on its Say-on-Pay Advisory Vote. In accordance with the stockholder vote at our 2011 Annual Meeting, advisory votes on executive compensation are conducted annually. The Committee's recommended compensation programs for our NEOs were endorsed by approximately 98% of the advisory votes cast at our 2016 Annual Meeting.

Executive Summary

Although conditions in industrial markets remained challenging throughout 2016, the Company continued to focus on executing against a number of key long-term objectives, including the following:

- Creating disciplined growth;
- Improving manufacturing efficiencies and costs;
- Leveraging invested capital; and
- Diversifying our customer base.

Fiscal Year 2016 Highlights

Some of the Company's highlights of its achievement against these objectives in 2016 include the following:

- In January 2016, we completed the sale of our Bronto Skylift business, receiving proceeds of approximately $88 million. The sale of our Bronto Skylift business removed a low-margin operation that required a disproportionate amount of invested capital and facilitates our focus on more profitable growth opportunities.
- In addition, in January 2016, we executed a new five-year $325 million revolving credit facility to replace our previous $225 million credit facility.
- We continued to apply a disciplined approach in considering potential acquisitions. In January 2016, we completed the acquisition of Westech Vac Systems, Ltd., a Canadian manufacturer of high-quality, rugged vacuum trucks. Although not significant in size, the acquisition provides access to new product offerings and new markets.
- In June 2016, the Company completed the acquisition of JJE. The Company expects that JJE will facilitate sales of its existing products into new markets, expand the Company's product and service offerings and increase the Company's footprint across North America. With the acquisition of JJE, the Company's product offerings have expanded to include other products, including those not manufactured by the Company, such as refuse and recycling collection vehicles, camera systems, ice-resurfacing equipment and snow-removal equipment.
- We demonstrated our commitment to returning value to stockholders by paying increased cash dividends of $16.9 million in 2016, up from $15.6 million in 2015.
- We also significantly increased the amount of opportunistic share repurchases under our authorized share repurchase programs, repurchasing approximately 3.0 million shares at an average purchase price of $12.75 per share. Total repurchases during 2016 totaled $37.8 million, compared to $10.6 million in 2015. The remaining aggregate authorization under these programs of $31.4 million at December 31, 2016 represents approximately 4% of our market capitalization.

- Cash flow during 2016 remained healthy, with $26.7 million of cash being generated from continuing operations, facilitating the increased cash returns to shareholders, as well as investments in long-term growth initiatives, including new product development.
- We have also continued to focus on new product development in 2016 and believe that these efforts will provide additional opportunities to diversify further our customer base. Specific examples for industrial markets include investments in new excavator designs to better target utility markets and in internationally certified safety products to expand our global reach.
- We continue to focus on reducing product costs and improving manufacturing efficiencies across all of our businesses. We started our "80/20" efficiency initiatives in 2010, and they have remained a critical part of our culture.
- At December 31, 2016, total debt exceeded total cash and cash equivalents by $13.3 million, and we had $244 million of availability under our credit facility. With our current capital structure, strong balance sheet, availability under our credit facility and positive operating cash flow, we are well positioned to navigate short-term market headwinds and invest in internal growth initiatives, pursue strategic acquisitions and consider ways to return value to stockholders.
- Our debt leverage remained low, at 0.8 times adjusted EBITDA ** as of December 31, 2016.

** As this is a non-GAAP measure, we have included a reconciliation to the most directly comparable GAAP measure in Appendix A.

Executive Compensation Program Updates During Fiscal Year 2016

The Committee took a number of actions with respect to our compensation and benefits programs, including the following:

- The Committee adopted the Federal Signal Corporation Short Term Incentive Bonus Plan (the "STIP") as a sub-plan under the Federal Signal Corporation (2015) Equity Incentive Compensation Plan (the "2015 Plan"). The STIP establishes the framework and terms applicable to annual cash incentive awards and replaced the Federal Signal Corporation Short Term Incentive Bonus Plan (as amended and restated, March 2013).
- The Committee modified the performance metrics used in STIP awards to be based on earnings (weighted at 70%) and individual objectives (weighted at 30%) in order to better align incentive pay with the Company's short-term focus, goals and initiatives.
- For performance share units issued under the 2015 Plan, the Committee retained both the three-year performance period and the applicable performance metrics, i.e. earnings per share from continuing operations (weighted at 75%) and return on invested capital (weighted at 25%).
- The Committee modified the Company's peer group to reflect market changes and position the Company closer to median with respect to peer revenue and market capitalization.

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Compensation Philosophy and Objectives

Our executive compensation programs link compensation to the performance and growth of our businesses, aligning the interests of our executives with those of our stockholders in a manner designed to maximize the returns for both. Our compensation programs: (i) include individual performance objectives; (ii) emphasize teamwork; and (iii) reward employees who think and behave like business owners. Our executive compensation philosophy is guided by the following principles:

- Executive compensation must be linked to the achievement of strategic, financial and operational goals that successfully drive growth in stockholder value;
- Total targeted compensation must be competitive to attract, motivate and retain experienced executives during all business cycles with leadership abilities and talent necessary for the Company’s short-term and long-term success, profitability and growth, while taking into account Company performance and external market factors;
- The portion of compensation that is variable based on performance and therefore at-risk should increase with officer level and responsibility;
- Executive awards should differ based on actual performance to ensure alignment with stockholder value (actual pay can be above or below target pay); and
- Equity ownership and holding requirements align the interests of executives with the interests of stockholders and help build long-term value.

Our independent compensation consultant, Willis Towers Watson (“WTW”), assisted us in a 2015 survey of compensation practices of comparator companies to ensure that our executive compensation programs are competitive with the market. Our comparator peer group is reviewed biennially to reflect the appropriate median revenue and industry classification composition.

Our cash and equity incentive plans reflect our compensation philosophy and are designed to drive both short-term and long-term profitability.

Role of Our Compensation and Benefits Committee

The Committee establishes and oversees our general compensation and benefits philosophy, and approves compensation and benefits for our executive officers. Specifically, the Committee:

- Establishes our compensation philosophy, sets broad compensation objectives and evaluates compensation to ensure that it complies with and promotes our compensation philosophy and objectives;

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- Determines the various elements of our executive compensation, including base salary, annual cash incentives, long-term equity incentives, retirement, health and welfare benefits and perquisites;
- Establishes performance goals for our President and CEO and oversees the establishment of performance goals for the other executive officers and for each business unit;
- Evaluates annually each executive officer's performance in light of the goals established for the most recently completed year;
- Establishes each executive officer's annual compensation level based upon the individual's performance, our financial results, the amount of compensation paid to comparable executive officers at comparable companies, the awards given to the individual in past years and our capacity to fund the compensation;
- Reviews our President and CEO's annual succession planning report and executive development recommendations for her direct reports;
- Reviews benefit and compensation programs and plans to ensure incentive pay does not encourage unnecessary risk taking; and
- Retains and oversees advisors it may engage periodically to assist in the performance of its role.

On an annual basis, our Board reviews the performance of our President and CEO, who in turn reviews the performance of each other executive officer and then presents the recommended compensation adjustments and awards to the Committee. The Committee has the discretion to modify or reject any recommended adjustment or award to these executive officers. The compensation of our President and CEO is determined solely by the Committee, using market data provided by the Committee's independent compensation consultant and meeting in executive session without her present.

Elements of Executive Compensation

Our compensation programs consist of a number of components that support our compensation objectives:

- Base salary;
- Annual cash incentives;
- Long-term equity incentives;
- Retirement, health and welfare benefits; and
- Perquisites.

Our programs allow us to balance individual and Company goals and achievements in determining executive pay. Weighing these factors within the framework of our compensation philosophy, the Committee determines appropriate adjustments to base salary, cash incentive awards and equity grants for our executive officers.

We believe that the percentage of at-risk compensation should generally increase in proportion with the executive's position and level of responsibility. At-risk compensation includes performance share units, stock options and cash incentives. In 2016, approximately 77% of our President and CEO's total compensation was at-risk, and approximately 68% of our other NEO's total compensation was at-risk.

** The 2% referenced above relates to a 2016 award of time-based restricted stock to Mr. Hudson in recognition of his contribution to the sale the Company's Fire Rescue Group.

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Base Salaries

The two most important factors considered in setting base salaries for our NEOs are individual performance from the prior year and competitive market data. Base salaries are targeted to be at the 50th percentile of competitive market data and are evaluated in the context of total compensation. For fiscal year 2016, actual base salaries for our NEOs ranged from 9.4% below, to 6.2% higher than, the market midpoint target. The Committee also considers: (i) current base salary relative to the targeted level; (ii) level of job responsibility and performance, including any substantive increases in responsibility during the year; (iii) prior experience and breadth of knowledge; (iv) market factors; and (v) length of service.

Annual Cash Incentives

Annual cash incentives may be earned and paid through the STIP, based upon the achievement of both Company and individual performance objectives. Depending on officer position, Company objectives during fiscal year 2016 were based on target consolidated earnings for the Company and its subsidiaries and, in some cases, the relevant business group ("Group") or business unit ("Business Unit") as depicted in the following table:

	Company Financial Performance	Group Financial Performance	Individual Performance
President and CEO (1)	70%	N/A	30%
Executive Chairman (1)	70%	N/A	30%
Senior Vice President and CFO	70%	N/A	30%
Vice President and Corporate Controller	70%	N/A	30%
Senior Vice President, Environmental Solutions Group	21%	49%	30%

(1) Effective January 1, 2016, Ms. Sherman was promoted to President and CEO concurrent with Mr. Martin's transition from President and CEO to Executive Chairman. Effective December 31, 2016, Mr. Martin retired from employment and transitioned to Chairman of the Board.

Company, Group and/or Business Unit performance comprises 70% of the annual cash incentive award and individual performance comprises 30%. The Committee believes that this split encourages executives to collaborate across the Company in order to achieve broader Company-wide objectives in addition to achieving results within specific Groups or Business Units.

For fiscal year 2016, the Committee elected to use a single financial objective, consisting of an earnings metric, weighted at 70%. The calculation of incentive compensation payable in connection with financial objectives is based on the achievement of threshold, target and maximum financial goals which have been set for Groups, Business Units and our Company as a whole. As set forth in the chart above, four out of our five NEOs' cash bonuses were tied to Company performance and one of our NEO's cash bonus was tied to a combination of Company and Group performance. For 2017, the Committee retained the financial objective weighting at 70% and the earnings metric applicable to Company performance, but modified the earnings metric applicable to Group and Business Unit performance, as set forth in the following chart:

Year	Component	Company Level	Group and Business Unit Level
2016	Earnings (70%)	Based on consolidated income before income taxes. As Company income taxes are impacted by external factors outside the control of the majority of STIP participants, the Committee decided that income taxes should not factor into the calculation.	Based on earnings before interest and taxes, thereby excluding income taxes and interest expense, neither of which are generally impacted by participants at this level.
2017			Based on operating income, thereby excluding income taxes, interest expense and other non-operating income/expense, none of which are generally impacted by participants at this level.

Calculations of award levels and actual performance levels are subject to adjustment at the discretion of the Committee. Historically, the Committee has made adjustments to awards and actual performance levels for items considered to be extraordinary or nonrecurring or other items the Committee determines should not impact the awards to plan participants, favorably or unfavorably.

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The remaining 30% of the annual cash incentive award is based on the achievement of individual objectives, consisting of an individual performance goals rating weighted at 18% and a competencies rating weighted at 12%. Performance is measured by the numerical scores the executive receives in the annual performance appraisal process. We believe that including an individual performance component allows us to reward outstanding individual performance regardless of overall financial performance and to limit bonuses for those who have underperformed.

The Committee believes our annual cash incentive design motivates individuals and ensures accountability. At the same time, we retain broad discretion to adjust or discontinue annual cash incentives on an annual basis to accommodate changing market conditions and Company objectives. Typically, in February of each year, the Committee determines the annual cash incentive awards, if any, based upon prior-year performance. Payouts generally occur in March.

Threshold, target or maximum goal achievement results in a corresponding cash incentive award equal to a pre-set percentage of the executive's base salary. The target percentage for each executive is based on competitive market data. The total award possible to each executive is capped at twice each participant's target bonus opportunity.

Annual cash incentive payments are subject to a "clawback" policy under which we require that, to the extent practicable upon the occurrence of specified events, a Section 16 Officer must repay a portion of his or her performance bonus payment plus a reasonable rate of interest. The clawback policy is triggered by: (i) an accounting restatement or a determination by our Board that the performance results were materially inaccurate and (ii) a determination that the amount of such performance-based bonus would have been less than the amount previously paid to such Section 16 Officer, taking into account the restated financial results or otherwise corrected performance results. STIP payments are also subject to applicable SEC clawback rules which may be adopted from time to time.

Long-Term Equity Incentives

We believe equity ownership plays a key role in merging the interests of our executives with our stockholders. Our long-term equity incentive awards are designed to simultaneously attract, motivate and retain experienced executives and to encourage their commitment to our long-term business strategy and success. Typically, the Committee grants long-term equity incentive awards on an annual basis as well as periodically upon promotion or hiring. We have stock ownership guidelines for our executive officers and key management personnel designed to ensure continued ownership as discussed herein under the heading "Executive Stock Ownership Requirement."

The Committee emphasizes pay-for-performance by structuring awards to our Section 16 Officers with two components, i.e., stock options and performance share units. The overall value of the long-term incentive awards is split evenly between each component. Stock options have value only if our share price appreciates and vest ratably over a three-year period measured from the date of grant. Likewise, performance share units are earned only if the Company achieves performance targets tied to two key financial metrics — earnings per share ("EPS") from continuing operations (weighted at 75%) and return on invested capital ("ROIC") (weighted at 25%). In our view, EPS from continuing operations and ROIC are relevant measures because they most directly affect long-term stock price appreciation. If the Company does not achieve a threshold level of performance for each metric measured independently, the corresponding percentage award tied to that metric is forfeited, no units are earned and no shares are issued. These awards are valued using the closing price of our common stock on the grant date at target level of performance.

Long-term equity incentive awards are subject to clawback in accordance with applicable rules that may be adopted by the SEC from time to time.

The table below illustrates our annual performance award mix over the last three fiscal years, our performance measures, the applicable performance period and whether the award was earned.

Fiscal Year	Annual Equity Award Mix (1)	Performance Share Unit Metrics (2)	Performance Period (3)	Award Earned or Not Earned
2014	Performance Share Units (50%)	EPS from Continuing Operations (75%)		
	Stock Options (50%)	ROIC (25%)		