

TENNANT CO  
Form DEF 14A  
March 15, 2012

SCHEDULE 14A  
INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934  
(Amendment No. \_\_\_\_)

Filed by the Registrant  [ X ]

Filed by a Party other than the Registrant  [ ]

Check the appropriate box:

- [ ] Preliminary Proxy Statement
- [ ] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- [ X ] Definitive Proxy Statement
- [ ] Definitive Additional Materials
- [ ] Soliciting Material Under Rule 14a-12

TENNANT COMPANY  
(Name of the Registrant as Specified In Its Charter)

N/A  
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[ X ] No fee required.

[ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

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

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

(4) Proposed maximum aggregate value of transaction:

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  - (3) Filing Party:
  - (4) Date Filed:
-

Tennant Company  
701 N. Lilac Drive  
Minneapolis, Minnesota 55422

March 15, 2012

Dear Shareholder,

On behalf of your Board of Directors and management, I am pleased to invite you to attend the 2012 Annual Meeting of Shareholders of Tennant Company to be held on Wednesday, April 25, at 10:30 a.m. (CDT) at the Golden Valley Country Club in Golden Valley, Minnesota.

The attached Notice of Annual Meeting and Proxy Statement describe the business to be conducted at the meeting. We have elected, where possible, to provide access to our proxy materials over the Internet under the Securities and Exchange Commission's "notice and access" rules. We believe that providing our proxy materials over the Internet reduces the environmental impact of our Annual Meeting without limiting our shareholders' access to important information about Tennant.

Whether or not you plan on attending the meeting, we encourage you to vote promptly.

We appreciate your continued confidence in Tennant, and we look forward to seeing you at the meeting.

Sincerely,

H. Chris Killingstad  
President and Chief Executive Officer

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## 2012 PROXY SUMMARY

This summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information that you should consider, and you should read the entire Proxy Statement carefully before voting.

## Annual Meeting of Shareholders

Time and Date	10:30 a.m., April 25, 2012
Place	Golden Valley Country Club 7001 Golden Valley Road Golden Valley, Minnesota 55427
Record Date	March 1, 2012
Voting	Shareholders owning shares of our Common Stock as of the close of business on the record date are entitled to vote. Each share of Common Stock is entitled to one vote for each director nominee and one vote for each of the items to be voted on.

Voting Matters	Board Vote Recommendation	Page Reference (for more detail)
1. Election of Directors	FOR EACH DIRECTOR NOMINEE	20
2. Ratification of KPMG as the independent registered public accounting firm for 2012	FOR	22
3. Advisory approval of executive compensation	FOR	47
4. Approve the Amended and Restated 2010 Stock Incentive Plan	FOR	49

## Board of Directors Overview

All directors attended at least 88% of Board and respective Committee meetings on which they serve.

## Director Nominees for Terms Expiring in 2012 (Class II Directors)

Name	Age	Director Since	Occupation	Primary Experience/ Qualification	Independent	Committee Memberships			
						AC	CC	GC	EC
Jeffrey A. Balagna	51	2004	SVP and CIO, Eli Lilly and Company	Global Operations Marketing Technology Leadership	X	X		X	X
Steven A. Sonnenberg	59	2005	EVP, Emerson Electric Company & Business	Global Sales Operations	X		X	X	X

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			Leader, Emerson Process Management	Leadership Acquisitions				
David S. Wichmann	49	2009	President, Operations and Technology, and CFO, UnitedHealth Group Incorporated	Global Finance Operations Leadership	X	F	X	X

Abbreviation Key

AC	Audit Committee	EC	Executive Committee	GC	Governance Committee
C	Chair	F	Financial Expert	LD	Lead Director of the Board
CC	Compensation Committee				

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## Directors Whose Terms Expire in 2013 (Class III Directors)

Name	Age	Director Since	Occupation	Primary Experience/ Qualification	Independent	Committee Memberships			
						AC	CC	GC	EC
William F. Austen	53	2007	VP, Operations, Bemis Company	Leadership Global Operations Acquisitions	X		X	X	X
James T. Hale	71	2001	Corporate Governance Consultant	Governance Acquisitions	X		X	C	X
H. Chris Killingstad	56	2005	President and CEO, Tennant Company	Global Industry Marketing Leadership					

## Directors Whose Terms Expire in 2014 (Class I Directors)

Name	Age	Director Since	Occupation	Primary Experience/ Qualification	Independent	Committee Memberships			
						AC	CC	GC	EC
Carol S. Eicher	53	2008	Business Group VP for Building and Construction, The Dow Chemical Company	Global Operations Acquisitions Leadership	X	X		X	X
David Mathieson	57	2006	EVP and CFO, Comverge, Inc.	Global Finance Acquisitions Leadership	X	C F		X	X
Donal L. Mulligan	51	2009	EVP and CFO, General Mills, Inc.	Global Finance Marketing Leadership	X	F	X		X
Stephen G. Shank	68	2000	Retired CEO and Chair of Board, Capella Education Company	Leadership	X		C	X	LD C

## Auditors

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As a matter of good corporate governance, we are asking our shareholders to ratify the selection of KPMG as our independent registered public accounting firm. The following table summarizes fees for professional services rendered by KPMG in 2011 and 2010:

Description of Fees	2011 Amount	2010 Amount
Audit Fees	\$ 1,203,896	\$ 947,794
Audit-Related Fees	—	—
Tax Fees	493,253	251,933
All Other Fees	8,110	—
Total	\$ 1,705,259	\$ 1,199,727

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## Advisory Approval of Executive Compensation

We are presenting our shareholders with the opportunity to submit an advisory approval of our executive compensation program for our Named Executives. The Board believes that our long-standing executive compensation programs have been effective at motivating the achievement of strong results even during challenging economic times, creating a relationship between pay and performance and aligning the interests of executive officers with those of our shareholders while discouraging risk-taking behavior that would be likely to have a material adverse effect on us.

## Overview of 2011 Performance

We had strong performance in 2011 despite continued volatility in the global economy. We saw year-over-year improvements in incentive operating profit, revenue growth, adjusted earnings per share and working capital.

Performance Measure	2010	2011	Change
Incentive operating profit(1)	\$36,900,000(2)	\$53,900,000(3)	46.1% improvement
Revenue	\$668,000,000	\$754,000,000	12.9% improvement
Adjusted EPS(1)	\$1.31	\$1.95	48.9% improvement
EPS (GAAP)	\$1.80	\$1.69	6.1% decline
Working capital (as a percentage of sales)	23.5%	23.3%	20 basis point improvement

(1) A reconciliation of adjusted EPS and EPS (GAAP) is included in the supplemental non-GAAP financial tables to our earnings release for the year ended December 31, 2011 as filed with the Securities and Exchange Commission on a Form 8-K on February 21, 2012. For explanation regarding incentive operating profit, see Compensation Discussion and Analysis, Compensation Elements, Short-Term Incentive Plans, 2011 STIP.”

(2) The Committee exercised discretionary authority by reducing the incentive operating profit achievement to deduct profits that were due to the reversal of an unused portion of the 2008 restructuring charge.

(3) For the purpose of calculating incentive operating profit, the Committee exercised discretionary authority to exclude a non-operating, predominately non-cash special charge related to the Hofmans product obsolescence.

This performance is a direct result of actions taken to become a global leader in chemical-free cleaning and other technologies, and to strive for an operating profit margin of 12% by the fourth quarter of 2013 by the way we run and grow our business. In 2011, we focused on improving processes, cost controls and operational excellence. We sought to grow our business through new products and solutions for our customers’ needs, developing new technologies and market expansion through growth in various geographies, global strategic accounts and increased penetration in key vertical markets.

The compensation of our Named Executives reflects the achievement of the performance objectives established under our long-term and short-term compensation plans, consistent with our compensation objectives set forth on page 24 of the Proxy Statement.



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## 2011 Compensation Summary for Current Named Executives

Set forth below is the 2011 compensation for Named Executives currently serving as executive officers, as determined under SEC rules. The SEC's calculation of total compensation (reflected in the column entitled "Total") includes several items that are driven by accounting and actuarial assumptions, which are not necessarily reflective of compensation actually realized by the Named Executives in 2011.

Name and Principal Position	Salary (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Non-qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
H. Chris Killingstad President and CEO	622,694	964,005	657,354	719,148	119	134,412	3,097,732
Thomas Paulson VP and CFO	353,364	252,767	172,344	212,921	22	55,570	1,046,988
Thomas J. Dybsky VP, Administration	294,124	168,315	114,763	132,920	181,369	43,350	934,841
Andrew J. Eckert VP, Americas	296,058	177,476	121,012	144,265	15	48,247	787,073
Don B. Westman VP, Global Operations	327,896	206,413	140,737	164,647	396	47,887	887,976

For more information on Total Compensation as calculated under the SEC rules, see the narrative and notes accompanying the 2011 Summary Compensation Table set forth on page 36 of the Proxy Statement.

## Amended and Restated 2010 Stock Incentive Plan

The Board, upon recommendation of the Compensation Committee, approved an amendment and restatement of the 2010 Stock Incentive Plan to be effective upon shareholder approval at this Annual Meeting. The amended and restated 2010 Plan (i) increases the number of shares available under the 2010 Plan from 1,000,000 shares to 1,500,000 shares and (ii) retains a fungible share pool design; however, full value awards will be counted as one and seventy-four hundredths shares against the pool, instead of one and fifty-one hundredths shares as under the current 2010 Plan. As of December 31, 2011, 554,998 shares remain available for issuance under the 2010 Plan.

The Committee and Board believe that stock-based compensation programs are a key element in achieving our continued financial and operational success. Our compensation programs have been designed to motivate key personnel to increase shareholder return.

## 2013 Annual Meeting

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- Deadline for shareholder proposals for inclusion in Proxy Statement: November 15, 2012
  - Deadline for other proposals not intended for inclusion in Proxy Statement: January 25, 2013
  - Deadline for submission of director nominees: 75 days before date of 2013 Annual Meeting
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NOTICE OF  
ANNUAL MEETING OF SHAREHOLDERS

- Time and Date: 10:30 a.m. Central Daylight Time  
Wednesday, April 25, 2012
- Place: Golden Valley Country Club  
7001 Golden Valley Road  
Golden Valley, Minnesota 55427
- Items of Business: (1) Elect three directors to a three-year term;
- (2) Ratify the appointment of KPMG LLP (“KPMG”) as our independent registered public accounting firm;
- (3) Advisory approval of executive compensation; and
- (4) Approve the Amended and Restated 2010 Stock Incentive Plan.
- Who May Vote: You may vote if you were a You may vote if you were a shareholder of record as of the close of business on March 1, 2012.
- Proxy Voting: It is important that your shares are voted, whether or not you attend the meeting. Please vote your shares, as instructed in the Notice of Internet Availability of Proxy Materials, by voting over the Internet as promptly as possible. You may also request a paper proxy card, which will include a reply envelope, to submit your vote by mail or to vote by telephone as described in the Notice of Internet Availability of Proxy Materials. Your prompt response will help reduce solicitation costs incurred by us.

March 15, 2012

Heidi M. Wilson, Secretary

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TENNANT COMPANY PROXY STATEMENT

Why did I receive a Notice of Internet Availability of Proxy Materials?

Tennant Company (“we,” “us,” “our,” “the Company”), on behalf of our Board of Directors (“Board”), is supplying this Proxy Statement in order to obtain your Proxy vote in connection with the Annual Meeting of Shareholders.

The Annual Meeting will be held at the Golden Valley Country Club, 7001 Golden Valley Road, Golden Valley, Minnesota, on Wednesday, April 25, 2012, at 10:30 a.m. Central Daylight Time.

The Notice of Internet Availability of Proxy Materials is being mailed to shareholders on or about March 15, 2012.

How do I access the proxy materials?

Under rules of the Securities and Exchange Commission, we are furnishing proxy materials to our shareholders on the Internet, rather than mailing printed copies to our shareholders. If you received a Notice of Internet Availability of Proxy Materials by mail, you will not receive a printed copy of the proxy materials unless you request one as instructed in that notice. Instead, the Notice of Internet Availability of Proxy Materials will instruct you as to how you may access and review the proxy materials on the Internet. If you received a Notice of Internet Availability of Proxy Materials by mail and would like to receive a printed copy of our proxy materials, please follow the instructions included in the Notice of Internet Availability of Proxy Materials.

What is a Proxy?

The Proxy serves as a ballot for elections to our Board, as well as listing information about any other items to be discussed and voted on at the Annual Meeting. It allows an authorized agent to act on your behalf in the event you do not attend the Annual Meeting in person.

Who is entitled to vote?

You may vote if you owned shares of our Common Stock as of the close of business on March 1, 2012. As of March 1, 2012, there were 18,897,289 shares of Common Stock outstanding, each entitled to one vote.

How do I vote?

You may vote in one of four ways:

1. By Internet

You may access the website at [www.proxyvote.com](http://www.proxyvote.com) to cast your vote 24 hours a day, 7 days a week, until 11:59 p.m. (EDT) on April 24, 2012. Please have your Notice of Internet Availability of Proxy Materials or, if you have requested one, your Proxy Card, in hand and the last four digits of your social security number available to verify your identity. Follow the instructions provided to obtain your records and create an electronic ballot.

2. By Phone

Request a Proxy Card from us by following the instructions on your Notice of Internet Availability of Proxy Materials. Then you may call 1-800-690-6903 by using any touch-tone phone, 24 hours a day, 7 days a week, until

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11:59 p.m. (EDT) on April 24, 2012. Have your Proxy Card in hand when calling. You will need to provide the last four digits of your social security number to verify your identity. Follow the voice prompts to cast your vote.

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3. By Mail

Request a Proxy Card from us by following the instructions on your Notice of Internet Availability of Proxy Materials. Mark, sign and date your Proxy Card and return it in the postage-paid envelope that will be provided, or return it to Tennant Company, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

4. In person at the Annual Meeting

All shareholders may vote in person at the Annual Meeting. Paper ballots will be available for voting at the meeting. See below for instructions on voting in person if your shares are held through a third party.

What happens if my shares are held in an account at a brokerage firm, bank, broker-dealer or similar organization?

If your shares are held in an account at a brokerage firm, bank, broker-dealer or other similar organization, then you are the beneficial owner of shares held in “street name,” and the Notice of Internet Availability of Proxy Materials was forwarded to you by that organization. The organization holding your account is considered the shareholder of record for purposes of voting at the Annual Meeting.

As a beneficial owner, you have the right to direct that organization on how to vote the shares held in your account. You should follow the instructions received from that organization to vote your shares. Shares held beneficially in street name may be voted in person only if you obtain a legal proxy from the broker, trustee or nominee that holds your shares giving you the right to vote the shares.

Can my broker vote my shares on my behalf without receiving voting instructions from me?

The election of directors, the advisory approval of executive compensation and the approval of the Amended and Restated 2010 Stock Incentive Plan will be considered proposals on which your broker does not have discretionary authority to vote. Thus, if your shares are held in street name and you do not provide instructions as to how your shares are to be voted on these matters, your broker or other nominee will not be able to vote your shares on these matters. Accordingly, we urge you to provide instructions to your broker or nominee so that your votes may be counted on these matters. You should vote your shares by following the instructions provided on the voting instruction card that you receive from your broker.

What happens if my shares are held in the Tennant Company Profit Sharing and Employee Stock Ownership Plan?

If your shares are held in the Tennant Company Profit Sharing and Employee Stock Ownership Plan (“Profit Sharing Plan”), your vote will be communicated to the Trustee who will vote all shares held in the Profit Sharing Plan in proportion to votes cast by all participants who submit voting instructions. You should follow the instructions provided in the voting instruction card that you receive from the Trustee to vote your shares. To be effective, such instructions must be received by the Trustee at least 10 days prior to the Annual Meeting. Shares held in the Profit Sharing Plan may not be voted in person.

Can the Trustee vote my shares on my behalf without receiving voting instructions from me?

The Trustee will vote all shares held in the Profit Sharing Plan in proportion to votes cast by all participants who submit voting instructions. You should vote your shares by following the instructions provided on the voting instruction card that you receive from the Trustee.





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How is my Proxy voted?

Shares represented by Proxy will be voted in the following manner:

- As specified by the Proxy; or
- Where a Proxy is submitted, but no specification is given, shares will be voted as the Board recommends, which is that you vote FOR each of the nominees listed in Item 1 (election of directors), FOR Item 2 (ratification of independent registered public accounting firm), FOR Item 3 (advisory approval of executive compensation) and FOR Item 4 (approve the Amended and Restated 2010 Stock Incentive Plan).

Why should I vote?

Your vote is important! It ensures that your ownership interests are represented even if you are unable to attend the Annual Meeting in person. A promptly voted Proxy will save us additional solicitation expense.

May I revoke my Proxy or change my vote?

Proxies may be revoked at any time before being voted at the Annual Meeting. The Proxy may be revoked or changed only by use of the following methods:

- Sending a signed, written notice of revocation, dated later than the Proxy, to the attention of the Secretary at the Company's address listed on page 4 of this Proxy Statement;
- Sending a signed Proxy, dated later than the prior Proxy, to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, New York 11717;
  - Voting again by telephone or on the Internet prior to the Annual Meeting; or
- Attending the Annual Meeting, revoking your Proxy and voting in person. Your attendance at the Annual Meeting will not revoke your Proxy unless you revoke your Proxy.

For shares held in an account at a brokerage firm, bank, broker-dealer or other similar organization, or in the Profit Sharing Plan, see restrictions described above.

How many votes are needed to hold the Annual Meeting?

The meeting can take place when holders of a majority of the outstanding shares of common stock, either in person or by Proxy, are present at the meeting. This is known as a quorum. Abstentions and broker non-votes will be counted as present when determining whether a quorum exists.

What is a broker non-vote?

Broker non-votes are shares held of record by a broker that are not voted on a matter because the broker has not received voting instructions from the beneficial owner of the shares and either lacks or declines to exercise the authority to vote the shares in its discretion.

How many votes are needed to elect directors?

As established by Minnesota Statute 302A.215, the affirmative vote of a plurality of outstanding shares of common stock present and entitled to vote is required to elect each director nominated. The director nominees with the most votes will be elected. If you (or a broker), either in person or by Proxy, withhold your vote or do not give authority to vote for a director, your shares will not be voted in favor of such director nominee.

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How many votes are needed to ratify KPMG as the independent registered public accounting firm for our Company?

The affirmative vote of the holders of a majority of outstanding shares of common stock present and entitled to vote is required to ratify the appointment of KPMG as our independent registered accounting firm (provided that the number of shares voted in favor of the proposal constitutes more than 25% of the outstanding shares). For this purpose, a shareholder voting through a Proxy who abstains with respect to ratification of KPMG is considered to be present and entitled to vote, and is in effect a negative vote; however, broker non-votes will not be counted as votes on this matter and will have no effect.

How many votes are needed to approve the advisory approval of executive compensation?

The approval on this matter is advisory and not binding on the Company. The Company will consider shareholders to have approved our executive compensation if the number of votes cast FOR this proposal exceed the number of votes cast AGAINST it. For this purpose, a shareholder who abstains with respect to this proposal and any broker non-votes on this proposal will have no effect.

How many votes are needed to approve the Amended and Restated 2010 Stock Incentive Plan?

The affirmative vote of the holders of a majority of the outstanding shares of common stock present and entitled to vote is required to approve the Amended and Restated 2010 Stock Incentive Plan (provided that the number of shares voted in favor of the proposal constitutes more than 25% of the outstanding shares). For this purpose, a shareholder voting through a Proxy who abstains with respect to approval of an amendment to the plan is considered to be present and entitled to vote, and is in effect a negative vote. Under New York Stock Exchange rules, the votes cast on this proposal must exceed 50% of all shares entitled to vote. Accordingly, a shareholder who does not give authority to a Proxy to vote, including a broker non-vote, on the approval of an amendment to the plan shall have the effect of a negative vote.

Who can solicit Proxies?

To assist us in soliciting Proxies for the Annual Meeting, we have retained Morrow & Co., LLC, for a total fee not to exceed \$8,000 plus out-of-pocket expenses. Proxies may also be solicited on our behalf by directors, officers or employees, in person or by telephone, electronic transmission and facsimile transmission. No additional compensation will be paid to such persons for such solicitation.

Who will pay the cost of this Proxy solicitation?

We will bear the cost of solicitation. We will reimburse banks, brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending Proxy materials to beneficial owners of shares.

What address should I use for correspondence with the Company?

Our principal executive office is located at 701 North Lilac Drive, P.O. Box 1452, Minneapolis, Minnesota, 55440-1452.

If you have questions or need additional Proxy material, please contact our Solicitation Agent:

Morrow & Co., LLC  
470 West Avenue – 3rd Floor  
Stamford, CT 06902

Banks and Brokerage Firms, please call (203) 658-9400  
Shareholders, please call (800) 607-0088

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BOARD OF DIRECTORS INFORMATION AND QUALIFICATIONS

Director Nominees for Terms Expiring in 2012 (Class II Directors)

JEFFREY A. BALAGNA, 51

Director Since 2004

- Senior Vice President and Chief Information Officer for Eli Lilly and Company, a pharmaceutical company, since February 2012.
- President and Chief Executive Officer for Carlson Marketing Worldwide, a marketing, travel and hospitality company, from 2008 – September 2011.
- Executive Vice President, Chief Information Officer and Customer Technology Officer for Carlson Companies from 2005-2008.
- Senior Vice President and Chief Information Officer for Medtronic, Inc., from 2001-2005.
- General Manager, Operations and eBusiness, for General Electric Medical Systems America from 1999-2001.
- Member of the Audit, Governance and Executive Committees.

Qualifications:

Mr. Balagna has a history of demonstrated leadership in global operations, marketing and technology in his roles at Eli Lilly and Company, Carlson Marketing Worldwide, Carlson Companies, Medtronic, Inc. and General Electric. His wide-ranging expertise and strong process improvement skills are particularly valuable as we seek to improve our underlying business processes and build a more scalable business model to support global expansion.

STEVEN A. SONNENBERG, 59

Director Since 2005

- Executive Vice President, Emerson Electric Company, and President for Emerson Process Management, a worldwide technology and engineering company, since October 2008.
- President for Rosemount, Inc., a business unit of Emerson Electric Company, from 2002 to October 2008. Held various positions with Rosemount and Emerson, including General Manager for Rosemount China and President for Emerson Process Management Asia Pacific, from 1992-2002.

· Member of the Compensation, Governance and Executive Committees.

Qualifications:

Mr. Sonnenberg is an expert in global sales, operations and expansion. His leadership roles with Emerson Electric Company and its various divisions have helped him acquire a specific expertise in process improvement, grounded in systems and metrics that are critical to successful, scalable growth and expansion, which applies directly to our recent process improvement and growth initiatives. His experience with global acquisitions and joint ventures is particularly valuable as we grow our global business.

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[ DAVID S. WICHMANN, 49 Director Since 2009

- President, Operations and Technology, and Chief Financial Officer for UnitedHealth Group Incorporated, a diversified health and well-being company, since January 2011.
- Held various executive positions with UnitedHealth Group since 1998, including President, Operations and Technology, President, Commercial Market Group, President and Chief Operating Officer, UnitedHealthcare, President and Chief Executive Officer, Specialized Care Services, and Senior Vice President, Corporate Development.
- Partner, Arthur Andersen, from 1995-1998.
- Chief Financial Officer for Advance Machine Company from 1992-1994.
- Member of the Audit, Compensation and Executive Committees.

Qualifications:

Mr. Wichmann was selected by the Board for his global financial and operations expertise. In addition to being a seasoned senior executive with UnitedHealth Group Incorporated, he has experience across multiple businesses through his early consulting practice with Arthur Andersen and as Chief Executive Officer of a company in the same business segment as our Company. His understanding of business processes, finance, accounting and internal controls adds discipline to our growth initiatives.

First time nomination for election by shareholders:

This is the first time that Mr. Wichmann has been nominated for election by shareholders. In 2009, the Board, upon recommendation of the Governance Committee, appointed Mr. Wichmann as a member of our Board. At that time, the Board specifically sought candidates with operations and financial expertise who could serve on our Audit Committee, understood strategic risk, and possessed a reputation for effective and ethical leadership. Although the Board had previously retained search firms to assist in the identification of candidates, on this occasion it used an internally developed search process led by the Governance Committee to support the Company's commitment to reducing expenses given the state of the economy in 2009. The process included research on chief financial officers and other senior management with financial and leadership expertise at public companies headquartered in Minnesota, a review of the research results and interviews of potential candidates. Mr. Wichmann, who was identified by non-management directors as a potential



candidate in this process, was selected and appointed because he met the above criteria and brought the specific expertise described above.

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Directors Whose Terms Expire in 2013 (Class III Directors):

WILLIAM F. AUSTEN, 53

Director Since 2007

- Vice President, Operations, for Bemis Company, the largest flexible packaging company in the Americas and a major international manufacturer of pressure-sensitive materials used for labels, decoration and signage, since 2004.
- President and Chief Executive Officer for Morgan Adhesives Company from 2000-2004.
- Held various positions with General Electric Company from 1980-2000, culminating in General Manager, Switch Gear Business.
- Member of the Compensation, Governance and Executive Committees.

Qualifications:

Mr. Austen brings a broad strategic perspective as one of the top leaders at Bemis Company where he serves as Vice President, Operations. He is a talented leader in global manufacturing and operations with experience in global mergers, acquisitions and business integration. This experience is relevant to our business due to our international operations and growth through acquisitions.

[

JAMES T. HALE, 71

Director Since 2001

- Corporate Governance Consultant since 2004.
- Executive Vice President, General Counsel and Corporate Secretary for Target Corporation from 2000-2004. Senior Vice President, General Counsel and Corporate Secretary for Target from 1981-2000.
- Held various Vice President positions with General Mills, Inc., from 1979-1981.
- Practiced law at Faegre & Benson LLP from 1966-1979.
- Chair of the Governance Committee, member of the Compensation and Executive Committees.

Qualifications:

Mr. Hale, a corporate governance expert and the former General Counsel and Executive Vice President of Target Corporation, has significant experience working with public company corporate governance. As part of his past legal experience in private practice and in-house at General Mills, Inc. and Target Corporation, he also acquired significant experience with mergers and acquisitions, an important

component of our growth strategy.

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H. CHRIS KILLINGSTAD, 56 Director Since 2005

- President and Chief Executive Officer for Tennant Company since 2005.
- Vice President, North America, for Tennant from 2002-2005.
- Held various senior management positions with The Pillsbury Company, including Senior Vice President and General Manager, from 1990-2002.
- International Business Development Manager for PepsiCo Inc. from 1982-1990.
- Financial Manager for General Electric from 1978-1980.

Qualifications:

Mr. Killingstad, our President and CEO, through his work with General Electric, PepsiCo Inc. and The Pillsbury Company, as well as with the Company, has led global expansion and turnaround efforts and has developed expertise in the areas of product innovation, brand marketing and building strong leadership teams. He has also developed and grown start-up enterprises within a corporate environment, a skill that he is applying to our chemical-free business expansion.

Directors Whose Terms Expire in 2014 (Class I Directors):

CAROL S. EICHER, 53 Director Since 2008

- Business Group Vice President for Building and Construction for The Dow Chemical Company, a manufacturer and seller of chemicals, plastic materials, agricultural and other specialized products and services, since August 2010. Business Director, Performance Monomers, for Dow Chemical from April 2009 to July 2010.
- Vice President/Global Business Director, Primary Materials and Process Chemicals, Rohm and Haas Company, a developer of solutions for the specialty materials industry acquired by Dow Chemical in 2009, from 2003 to July 2010. General Manager, Americas & Europe, Electronics, Organic Specialties, for Rohm and Haas from 2001-2003. Business Director, Organic Specialties, for Rohm and Haas from 2000-2001.
- Held various senior management positions with Ashland Chemical Company, a division of Ashland, Inc., from

1992-2000.

- Held various management positions with E.I. DuPont de Nemours and Company, Inc., from 1979-1992.
- Member of the Audit, Governance and Executive Committees.

Qualifications:

Ms. Eicher brings a wealth of global manufacturing, operations and merger and acquisition experience from her senior leadership positions at The Dow Chemical Company, Rohm and Hass Company, Ashland Chemical Company and E.I. DuPont de Nemours and Company, Inc. In these positions she has led expansion efforts in developing countries and can provide insights as to the issues we may face as we expand our presence in Brazil, Russia, India, China, the Middle East and other developing countries.

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DAVID MATHIESON, 57

Director Since 2006

- Executive Vice President and Chief Financial Officer for Comverge, Inc., a clean energy company providing demand management solutions in the form of peaking and base load capacity to electric utilities, grid operators and associated electricity markets, since May 2011.
- Principal of David Mathieson LLC, a company offering management consulting, project management and interim management, from September 2010 to May 2011.
  - Senior Vice President and Chief Financial Officer for RSC Holdings, Inc., a provider of equipment rental services, from January 2008 to May 2010.
  - Vice President and Chief Financial Officer for Brady Corporation, an international manufacturer and marketer of identification solutions and specialty materials, from 2003-2007. European Finance Director for Brady Corporation from 2001-2003.
  - Held various executive positions with Honeywell International, Inc., from 1981-2001, including Vice President and Chief Financial Officer of Honeywell Europe.
  - Chair of the Audit Committee, member of the Governance and Executive Committees.

Qualifications:

Mr. Mathieson, a Scottish native, has extensive management experience and global financial expertise from his consulting, executive and financial roles with Comverge, Inc., David Mathieson LLC, RSC Holdings, Inc., Brady Corporation, Honeywell, Inc. and other multinational public companies. In addition, he has led global acquisition teams and implemented systematic processes to measure and enhance operational effectiveness, a skill set that has proved invaluable to us as we continue to cut costs and make our internal operations more scalable.

DONAL L. MULLIGAN, 51

Director Since 2009

- Executive Vice President and Chief Financial Officer for General Mills, Inc., the world's sixth largest food company, since 2007.
- Held various executive positions with General Mills from 2001-2007, including Vice President Financial Operations for the International division; Vice President Financial Operations for Operations and Technology and Vice President and Treasurer.
- Served as Chief Financial Officer, International, for The Pillsbury Company from 1999-2001.
- Held various international positions with PepsiCo Inc. and YUM! Brands, Inc., including Regional CFO, Americas, Finance Director, Asia, and Finance Director, Canada, from 1987-1998.

· Member of the Audit, Compensation and Executive Committees.

Qualifications:

Mr. Mulligan is the Executive Vice President and Chief Financial Officer for General Mills, Inc. He was selected by the Board not only because of his financial expertise and his various senior financial and operations leadership positions at large multinational public companies, but also because of his knowledge in developing, marketing and branding innovative products, which is particularly relevant to our current business, which involves the regular introduction of new and innovative products to the market.

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STEPHEN G. SHANK, 68

Director Since 2000  
Lead Director Since 2009

- Retired Chief Executive Officer and Chair of the Board for Capella Education Company, an accredited online university offering undergraduate and graduate degree programs; current member of Board of Directors of Capella.
- Chair for Capella from 1993 to February 2010. CEO for Capella from 1993 to March 2009.
- Chairman and Chief Executive Officer for Tonka Corporation from 1979-1991, and General Counsel from 1974-1978.
- Practiced law at Dorsey & Whitney LLP from 1972-1974.
- Lead Director, Chair of the Compensation and Executive Committees, member of the Governance Committee.

Qualifications:

Mr. Shank has a unique background and skills that qualify him not only to be on the Board, but to serve in the role of Lead Director. He was a corporate lawyer with Dorsey & Whitney LLP, a well-recognized Minneapolis law firm, served as General Counsel and then became the CEO of Tonka Corporation, and developed and took public one of the first successful accredited online universities, Capella Education Company. He recently retired as CEO and Chair of Capella but continues to serve on Capella's board. He is able to devote considerable attention to our Company matters and brings a visionary yet disciplined approach to our business.

Meeting Attendance

During 2011, our Board met on four occasions. All directors attended at least 88% of Board and respective Committee meetings on which they serve.

As set forth in our Corporate Governance Principles, all members of our Board are encouraged to attend all annual meetings of shareholders. All directors attended the 2011 Annual Meeting of Shareholders, except Mr. Balagna who had a schedule conflict.

Director Independence

Our Board uses criteria established by the New York Stock Exchange ("NYSE") and the Securities and Exchange Commission to determine director independence. The Governance Committee reviews relevant information no less than annually to determine whether the Board members meet the applicable criteria. Our Board has determined that Ms. Eicher and Messrs. Austen, Balagna, Hale, Mathieson, Mulligan, Shank, Sonnenberg and Wichmann are independent based on the standards referred to above.

The only relationships that exist between our directors and our Company or management are ordinary course of business commercial transactions involving the purchase of the Company's products and product maintenance services by companies that employ certain of our directors or our purchase of products and services from companies that



employ certain of our directors. These transactions were considered by our Board in determining the independence of our directors. The Board considered the fact that in 2011 Ms. Eicher was an executive officer of The Dow Chemical Company, Mr. Austen was an executive officer of Bemis Company, Mr. Balagna was then serving as an executive officer of Carlson Marketing Worldwide, Mr. Mulligan was an executive officer of General Mills, Inc., Mr. Sonnenberg was an executive officer of Emerson Electric Company and Mr. Wichmann was an executive officer of UnitedHealth Group Incorporated. Their respective companies purchased goods and/or product maintenance services from us in amounts that were less than 2% of our and their respective employers gross revenues (which, in each case, are greater than \$1 million) for the year. Based on the relevant facts and circumstances, neither Ms. Eicher nor Messrs. Austen, Balagna, Mulligan, Sonnenberg or Wichmann has a material interest in these ordinary course of business

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transactions. In addition, certain of our non-management directors are affiliated with entities that have business relationships with us where we purchase goods. The Board also considered that the Company has purchased: (i) vision insurance from a subsidiary of UnitedHealth Group, Mr. Wichmann's employer, in the approximate amount of \$89,084; (ii) various machine parts from a subsidiary of Bemis Company, Mr. Austen's employer, in the approximate amount of \$196,926; and (iii) various machine parts from subsidiaries of Emerson Electric Company, Mr. Sonnenberg's employer, in the approximate amount of \$540,890. Based on the relevant facts and circumstances, Messrs. Austen, Sonnenberg and Wichmann do not have a material interest in these ordinary course of business commercial transactions. In addition, the amounts we paid to each of these companies in 2011 were less than 2% of the respective company's gross revenues (which are greater than \$1 million).

The Board was provided with this information and concluded that none of the relationships interfere with the independence of these directors or present a conflict of interest.

### Board Leadership Structure

Our Board has four standing committees: Audit, Compensation, Governance and Executive. Each of the Board committees is comprised solely of independent directors with each committee having its own chair.

Our President and Chief Executive Officer ("CEO"), Mr. Killingstad, is a member of our Board. However, as was the case with his predecessor, he has not been appointed as Chair. He works closely with our Lead Director to set and approve the agenda of the Board meetings, to ensure that there is an appropriate flow of information to the Board, and to make sure that management properly and adequately addresses matters of interest to the Board. Mr. Killingstad conducts the actual Board meetings but our Lead Director conducts the meetings of the Executive Committee of the Board, which consists of all non-management directors. Currently, the positions of Lead Director and Chair of the Executive Committee are combined.

Our Board appointed Stephen Shank, Chair of the Executive Committee, as Lead Director in August 2009. Our Board's criterion for Lead Director is that he or she must be an independent director appointed by the Board. The role of the Lead Director is to provide independent leadership to our Board, act as a liaison between the non-management directors and the Company and ensure that our Board operates independently of management. The Lead Director is appointed for a one-year term and may serve successive terms, but our Board retains the right to remove or replace the Lead Director in its discretion. The person serving as Chair of the Executive Committee shall typically also be the Lead Director, unless our Board decides otherwise.

The principal responsibilities assigned to the Lead Director include:

- Chairing the Board in the absence of our CEO;
- Organizing and presiding over all executive sessions of our Board;
- Serving as liaison between the non-management members of the Board and our CEO;
- In concert with our CEO and other directors, setting and approving the agenda for Board meetings, including approval of schedules to assure sufficient time for discussion of all agenda items;
- In concert with our CEO and committee chairs, ensuring the appropriate flow of information to the Board and reviewing the adequacy and timing of documentary materials provided to the Board;
- Communicating to management as appropriate the results of private discussions among independent directors;

- Holding one-on-one discussions with individual directors where requested by the directors or the Board;
- Ensuring his or her availability for consultation and direct communication with major shareholders, if requested by such shareholders; and
  - Carrying out other duties as requested by our Board.

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Our Board has chosen this leadership structure because it believes that it fosters good communication between management and the Board, provides strong independent leadership to oversee and challenge management and provides the optimal level of Board involvement in strategic decision making and risk oversight.

### Board's Role in Risk Oversight

Our Board takes an active role in risk oversight of the Company both as a full Board and through its Committees. The agendas for our Board and Committee meetings are specifically designed to include an assessment of opportunities and risks inherent in our operations, strategies and compensation plans. Our Board meets in executive session after each regularly scheduled Board meeting to, among other things, assess the quality of the meetings and to collect feedback for our Lead Director to present to our CEO and management. Such feedback includes any requests for specific information to assist our Board in carrying out its duties, including risk oversight. We believe that the process followed by our independent directors and led by our Lead Director provides an appropriate level of Board oversight of risk.

In addition, we conduct an annual enterprise-wide risk assessment. A formal report is delivered to our Audit Committee and to our Board each December. Risk assessment updates are provided at each regularly scheduled quarterly Audit Committee and Board meeting and more frequently if requested by a Committee, our Board or recommended by management. The objectives for the risk assessment process include (i) facilitating the NYSE governance requirement that our Audit Committee discuss policies around risk assessment and risk management, (ii) developing and addressing a defined list of key risks to be shared with our Audit Committee, Board and management, (iii) reviewing management's risk mitigation efforts, (iv) determining whether there are risks that require additional or higher priority mitigation efforts, (v) facilitating discussion of the risk factors to be included in Item 1A of our Annual Report on Form 10-K, and (vi) guiding the development of the next year's audit plans.

In 2011, we, working with our outsourced internal auditor and through members of an internal risk committee ("Risk Committee") consisting of senior level staff from the legal, finance and risk departments, refreshed our enterprise risk assessment process, conducted a detailed enterprise risk assessment, improved how we communicated the results of the risk assessment and recommended risk mitigation activities. Among other things, the process was revised to better link the risk areas with our strategies, objectives and entity-level controls and expanded the number of senior management and global employees participating in risk identification, ranking and assessment of management preparedness to address identified risks.

The internal auditor surveyed key department and functional leaders from all functions and geographies and then, along with members of our Risk Committee, facilitated group meetings to better identify and evaluate risks and the steps being taken to mitigate the risks. Any identified risks were prioritized based on the potential exposure to the business and measured as a function of severity of impact and likelihood of occurrence. The process also included evaluating management's preparedness to respond to the risk if realized. The risk profiles and current and future mitigating actions were discussed and refined during subsequent discussions with management. A summary of the results of the risk assessment process and our risk mitigation activities was presented to our Audit Committee, provided to our full Board, and discussed by our Board in executive session.

Additionally, to monitor transactions that could potentially expose us to risk, our Board has a formal delegation of authority policy for non-ordinary course expenditures which specifies areas for which Board review and approval are required.

Annually, our Compensation Committee discusses our compensation policies and practices regarding the appropriateness of the level of enterprise risk associated with our incentive plans, including a review of the metrics and checks and balances that mitigate risks for inappropriate or fraudulent behavior which could potentially arise in

connection with our plans, including our short-term and long-term incentive compensation plans and sales commission and incentive plans. In February 2012, management presented our Compensation Committee with its analysis of the risks associated with our compensation policies and practices and its conclusion that such policies and practices are not reasonably likely to have a material adverse effect on us, and our Compensation Committee discussed this conclusion with management.

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### Board Committees

As mentioned above, we have four standing committees of our Board: Audit, Compensation, Governance and Executive. Membership on these committees is limited to independent directors. Our Board has determined that each of our committee members is free of any relationship that would interfere with their exercise of independent judgment and is an independent director within the meaning of the listing standards of the NYSE and applicable Securities and Exchange Commission regulations and, if applicable, certain Internal Revenue Code provisions.

### Audit Committee

Our Audit Committee is comprised of David Mathieson (Chair), Jeffrey A. Balagna, Carol S. Eicher, Donal L. Mulligan and David S. Wichmann.

Our Board uses the listing standards of the NYSE to determine whether our Audit Committee members possess the requisite financial literacy to serve on the Committee. Our Board has determined that all Audit Committee members are financially literate and independent.

At least one member of our Audit Committee must have accounting or related financial management expertise as required by NYSE rules. Our Audit Committee endeavors to have at all times a member who qualifies as an “audit committee financial expert” as defined by the Securities and Exchange Commission. Our Board has determined that Messrs. Mathieson, Mulligan and Wichmann satisfy the requirements of an “audit committee financial expert” and that their expertise has been acquired through training and relevant experience.

Our Audit Committee operates under a written charter adopted by our Board, which was most recently amended on December 14, 2010. Our Audit Committee is required to meet no less than four times throughout the year and in 2011 met on ten occasions.

The primary functions of our Audit Committee are to oversee:

- The integrity of our financial statements;
- Our compliance with legal and regulatory requirements;
- The independent registered public accounting firm’s qualifications, independence and performance;
  - The performance of our internal audit function;
- Our system of internal controls over financial reporting;
- Our risk assessment and management policies; and
  - Significant financial matters.

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### Compensation Committee

Our Compensation Committee is comprised of Stephen G. Shank (Chair), William F. Austen, James T. Hale, Donal L. Mulligan, Steven A. Sonnenberg and David S. Wichmann, all of whom meet the criteria for independence under the NYSE listing standards, Section 162(m) of the Internal Revenue Code and Rule 16b-3 of the Securities Exchange Act of 1934, as amended (“Exchange Act”).

Our Compensation Committee operates under a written charter adopted by our Board, which was most recently amended on February 17, 2010. Our Compensation Committee is required to meet no less than two times throughout the year and in 2011 met on five occasions.

The primary functions of our Compensation Committee are to assist us in maximizing shareholder value by ensuring that executive officers are compensated in accordance with our philosophy, objectives and policies. Specifically, our Compensation Committee has established a total compensation policy that:

- Supports our overall strategy and objectives;
- Attracts and retains key executive officers;
- Links total compensation to financial performance and the attainment of strategic objectives;
- Provides competitive total compensation opportunities at a reasonable cost while enhancing short-term and long-term shareholder value creation;
- Discourages risk-taking behavior that would be likely to have a material adverse effect on our Company; and
  - Provides transparency consistent with good corporate governance practices.

Our Compensation Committee sets the compensation for our executive officers and evaluates their compensation against performance goals and objectives. The Committee also reviews management’s process for assessing whether incentive compensation plans for both executive and non-executive employees are likely to have a material adverse effect on our Company. In February 2012, our Compensation Committee conducted its annual review of our incentive plans and of management’s conclusion that the plans do not pose a level of risk that could have a material adverse effect on our Company. In addition, the Committee recommends pay levels for non-management directors including retainers and fees for approval by our full Board. Given the inherent conflict of directors setting their own pay levels, these recommendations are reviewed by third parties such as our human resources department and outside consultants.

### Use of Outside Compensation Consultants

Our Compensation Committee engages outside compensation consultants to assist it in the performance of its duties. In August of 2011, the Committee retained Aon Hewitt (“Hewitt”) to advise it on 2012 executive officer and non-management director compensation including (i) making recommendations regarding the form and amounts of executive officer and non-management director compensation, (ii) providing market and performance data as a backdrop to the Committee’s decisions regarding executive officer and non-management director compensation, and (iii) advising the Committee as to best practices and recent legal, governance and regulatory considerations regarding executive officer and non-management director compensation. Hewitt has performed services for our Compensation Committee since 2008.

Hewitt reports directly to our Compensation Committee and works collaboratively, as directed by the Chair of the Committee, with management. Hewitt's primary responsibilities include providing market data and interpretive information on executive and non-management director compensation, best practices and trends and background information for recommendations on the design and composition of compensation packages for our executive officers and non-management directors.



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Our Compensation Committee annually evaluates Hewitt's ability to provide independent advice and has concluded that Hewitt was independent with regard to the services it provided to the Committee in 2011 because (i) it reported directly to the Committee, (ii) the Committee could solicit advice and consultation without management's direct involvement and (iii) all of the services performed by Hewitt in 2011 were at the request of the Committee.

Our Compensation Committee has established a process to limit potential conflicts of interest should management desire to seek advice from the Committee's retained outside compensation consultant for non-executive compensation matters. Specifically, the Committee determined that if management desires to use the consultant to provide any advice on non-executive compensation matters, the consultant shall contact the Chair and inform the Chair of such request for non-executive compensation services. The Committee delegated to the Chair the authority to make a decision as to whether the service is appropriate. The Chair is required to inform the Committee of any such request or approval granted no later than at the next scheduled meeting of the Compensation Committee. The outside consultant, no less than annually, must provide a summary to the Committee describing any non-executive compensation services provided to our Company. No such services were provided in 2011.

Additional information about the role of the compensation consultant is set forth below under "Compensation Discussion and Analysis, Compensation Determination Process."

### Governance Committee

Our Governance Committee is comprised of James T. Hale (Chair), William F. Austen, Jeffrey A. Balagna, Carol S. Eicher, David Mathieson, Stephen G. Shank and Steven A. Sonnenberg.

Our Governance Committee operates under a written charter adopted by our Board, which was last amended on February 18, 2004. Our Governance Committee does not have a required number of meetings. In 2011, our Governance Committee met on three occasions.

The primary purpose of our Governance Committee is to:

- Assist our Board in identifying individuals qualified to become Board members;
  - Determine the composition of our Board and its Committees;
  - Lead our Board in its annual review of the Board's performance;
- Regularly review and, when applicable, recommend to our Board changes to our Corporate Governance Principles, Articles of Incorporation, By-Laws and Board committee charters; and
- Assist our Board in understanding and complying with new corporate governance laws, regulations and policies affecting our Company.

### Executive Committee

Our Executive Committee is comprised of Stephen G. Shank (Chair), William F. Austen, Jeffrey A. Balagna, Carol S. Eicher, James T. Hale, David Mathieson, Donal L. Mulligan, Steven A. Sonnenberg and David S. Wichmann, constituting all of the independent, non-management directors. Mr. Shank, as Chair of the Executive Committee and Lead Director, presides at the Executive Committee meetings.

Our Executive Committee operates under a written charter adopted by our Board which was last amended on February 18, 2004. Our Executive Committee is to meet no less than four times throughout the year and in 2011 met on four occasions following scheduled Board meetings, which constitute executive sessions.

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The primary purpose of our Executive Committee is to review such matters and take such actions as are appropriate to be reviewed or taken by the non-management directors of our Board, including the annual review of our CEO’s performance, setting our CEO’s compensation, review and approval of our management succession plan and review and assessment of the risks and opportunities inherent in our strategic decision making. In addition, our Executive Committee formulates feedback to be provided by our Lead Director to management after each meeting. Such feedback includes future agenda items, requests for additional information and other recommendations.

Board and Committee Member Nominations and Appointments

Committee Appointments

Our Board appoints members of its Committees annually upon recommendation of our Governance Committee after taking into account the desires, experiences and expertise of individual directors, the recommendations of our CEO and the benefits of rotating Committee membership.

Director Nomination Process

Our Governance Committee is responsible for recommending nominees for election to our Board. As required by our Corporate Governance Principles, this Committee is responsible for reviewing with our Board, on an annual basis, the requisite skills and characteristics of individual members. The Committee must also balance the composition of our Board, as a whole, with the needs of our Company. Our Governance Committee reviews all director nominees and recommends to our Board those persons whose attributes it believes are most beneficial to our Company.

The Committee’s assessment of each director nominee takes into consideration the needs of our Board, the ability to effectively represent the shareholders and stakeholders generally, as well as the following attributes:

- |              |              |
|--------------|--------------|
| • Experience | • Skills     |
| • Diversity  | • Competence |
| • Integrity  | • Dedication |

Our Board does not have a policy with regard to the consideration of diversity in identifying director nominees; however, as indicated above, diversity is one of the factors that our Board takes into consideration when assessing director nominees. In that regard, our Board defines “diversity” broadly to include race, gender, national origin, functional experience, geographic representation and personal skills and attributes. Our Board looks for candidates who have public company experience, have a history of demonstrating strong and ethical leadership, are sufficiently senior and adept at understanding and evaluating strategic, financial and operational risks and have the expertise to create a well-rounded board. Our Board has recently sought to identify, appoint and nominate for shareholder approval candidates with expertise in global expansion, global sales and marketing, mergers and acquisitions, manufacturing and operations, process improvement, financial expertise, executive compensation and change management, corporate governance and experience in disruptive technologies.

The Committee also considers our Corporate Governance Principles, which include the following factors when considering director nominees:

- |                              |                        |
|------------------------------|------------------------|
| • The size of our Board      | • Other board service  |
| • Directors with job changes | • Retirement           |
| • Director terms             | • Independence matters |

Once a recommendation is made by our Governance Committee, it is reviewed by our full Board. In making its decision to nominate directors, our Board considers all of the above factors.

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Shareholder Nominations

Our Governance Committee will consider director candidates recommended by shareholders. &#1