

OSHKOSH CORP
Form 4
November 18, 2010

FORM 4 UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
SIM RICHARD G

(Last) (First) (Middle)

C/O OSHKOSH CORPORATION, 2307 OREGON STREET

(Street)

OSHKOSH, WI 54902

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
OSHKOSH CORP [OSK]

3. Date of Earliest Transaction (Month/Day/Year)
11/18/2010

4. If Amendment, Date Original Filed (Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director 10% Owner
 Officer (give title below) Other (specify below)

6. Individual or Joint/Group Filing (Check Applicable Line)

Form filed by One Reporting Person
 Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
			Code	V	Amount	(D)	Price
Common Stock	11/18/2010		M		12,000	A	\$ 11
Common Stock					49,279.03	D	
					10,000	I	
							By Spouse

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Amount or Number of Shares
Options (1)	\$ 11	11/18/2010		M	12,000	(2) 03/05/2011	Common Stock	12,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
SIM RICHARD G C/O OSHKOSH CORPORATION 2307 OREGON STREET OSHKOSH, WI 54902	X			

Signatures

Bryan J. Blankfield, for Richard G. Sim
 11/18/2010
 **Signature of Reporting Person Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

- (1) Option (right to buy) granted pursuant to the Company's Stock Plan.
- (2) Options vest in one-third (1/3) annual increments commencing on 02/05/2002.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ew Roman" SIZE="2">49,250 \$23,398 \$72,648

Wayne R. Peterson
 \$33,000 \$23,398 \$177,374⁽³⁾ \$233,772

N. John Simmons, Jr.
 \$50,250 \$23,398 \$73,648

(1) The aggregate number of outstanding option awards held by each director as of December 31, 2006 is set forth below:

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James T. Boosales	19,500 shares
James M. Emanuel	53,500 shares
Charles W. Federico	27,500 shares
Charles T. Orsatti	19,500 shares
Wayne R. Peterson	19,500 shares
N. John Simmons, Jr.	45,500 shares

- (2) This amount represents the dollar value of insurance premiums paid by the Company with respect to health insurance.
- (3) This amount includes consulting fees of \$172,000.

SECURITY OWNERSHIP OF DIRECTORS, OFFICERS, AND PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding the beneficial ownership of common stock as of February 27, 2007, with respect to: (i) each of our directors, nominees and the executive officers named in the Summary Compensation Table below, (ii) all of our directors and executive officers, as a group, and (iii) each person known by us to own beneficially more than 5% of our common stock.

The number and percentage of shares beneficially owned is determined under rules of the SEC, and the information does not necessarily indicate beneficial ownership for any other purpose. Under these rules, beneficial ownership includes any shares for which the individual has sole or shared voting power or investment power and also any shares that the individual has the right to acquire within 60 days of February 27, 2007, through the exercise of any stock option or other right. Unless otherwise indicated, we believe all persons listed below have sole voting and investment power with respect to all shares beneficially owned by them. A total of 6,459,021 shares of our common stock were issued and outstanding as of February 27, 2007.

Beneficial Owner ⁽¹⁾	Shares		Percentage of Class Beneficially Owned
	Class of Stock	Beneficially Owned	
Wayne R. Peterson ⁽²⁾	Common	839,561	13.0%
James T. Boosales ⁽³⁾	Common	800,500	12.4%
Estate of Lee R. Kemberling	Common	588,012	9.1%
James M. Emanuel ⁽⁴⁾	Common	48,000	*
Christopher S. Carlton ⁽⁵⁾	Common	75,000	*
Wallace D. Ruiz ⁽⁶⁾	Common	40,000	*
N. John Simmons, Jr. ⁽⁷⁾	Common	34,000	*
Charles T. Orsatti ⁽⁸⁾	Common	12,000	*
Charles W. Federico	Common		*
Heartland Advisors, Inc.	Common	843,000	13.1%
T. Rowe Price Associates, Inc. ⁽⁹⁾	Common	550,000	8.5%
Standard Textile Co., Inc.	Common	349,667	5.4%
F&C Management, Ltd.	Common	221,989	3.4%
All directors and executive officers as a group (8 persons) ⁽¹⁰⁾	Common	1,879,061	29.1%

* Less than 1%

⁽¹⁾ The business address for Wayne R. Peterson is 2779 Camden Road, Clearwater, Florida 33759. The business address for James T. Boosales is 2145 Glenbrook Close, Palm Harbor, Florida 34683. The business address for the Estate of Lee R. Kemberling is 11500 47th Street North, Clearwater, Florida 34622. The business address for James M. Emanuel is 120 14th Street, Belleair Beach, Florida 33786. The business address for Christopher S. Carlton is 12425 Race Track Road, Tampa, Florida 33626. The business address for Wallace D. Ruiz, is 12425 Race Track Road, Tampa, Florida 33626. The business address for N. John Simmons, Jr. is 140 Fountain Parkway, Suite 420, St. Petersburg, Florida 33716. The business address for Charles T. Orsatti is P.O. Box 2874, Clearwater, Florida 33757. The business address for Charles W. Federico is 19435 Peninsula Shores Drive, Cornelius, North Carolina 28031. The business address for Heartland Advisors, Inc. is 790 N. Milwaukee Street, Milwaukee, Wisconsin 53202. The business address for T. Rowe Price Associates, Inc. is 100 East Pratt Street, Baltimore, Maryland 21202. The business address for F&C Management, Ltd. is Exchange House, Primrose Street, London EC2A 2NY, England. The business address for Standard Textile Co., Inc. is One Knollcrest Drive, Cincinnati, Ohio 45237.

⁽²⁾ This amount includes 42,608 shares of common stock owned by the Wayne R. Peterson Grantor Retained Annuity Trust, of which Mr. Peterson is trustee, 42,609 shares of common stock owned by the Theresa A. Peterson Grantor Retained Annuity Trust, of which Mrs. Peterson, Mr. Peterson's wife, is trustee, 31,044 shares of common stock owned by Mr. and Mrs. Peterson as tenants by the entirety, and 715,300 shares of common stock owned by Peterson Partners, Ltd., a Colorado limited partnership, of which Peterson Holdings, Inc., a Colorado corporation, is the general partner. Mr. and Mrs. Peterson jointly own all of the issued and outstanding voting stock of Peterson Holdings, Inc. This amount also includes 8,000 shares of common stock issuable on exercise of stock options that are held by Mr. Peterson

and currently exercisable. Mr. Peterson has shared voting and investment power with respect to the following shares of common stock: 42,609 shares owned by the Theresa A. Peterson Grantor Retained Annuity Trust, 31,044 shares owned by Mr. and Mrs. Peterson as tenants by the entirety, and 715,300 shares owned by Peterson Partners, Ltd. All of the shares of common stock beneficially owned by Mr. Peterson have been pledged as security for a margin account maintained with a brokerage firm.

- (3) This amount includes 776,000 shares of common stock owned by the Boosales Family Limited Partnership, a Colorado limited partnership, of which Mr. Boosales and Bonny Boosales, Mr. Boosales' wife, as tenants by the entirety, act as the general partner. This amount also includes 12,000 shares of common stock issuable on exercise of stock options that are held by Mr. Boosales and currently exercisable. Mr. Boosales has shared voting and investment power with respect to 776,000 shares of common stock held by the Boosales Limited Partnership.
- (4) Includes 38,000 shares of common stock issuable on exercise of stock options that are currently exercisable or will become exercisable within 60 days.
- (5) Includes 40,000 shares of common stock issuable on exercise of stock options that are currently exercisable or will become exercisable within 60 days and 28,000 shares of restricted stock that the company has the right to repurchase.
- (6) Includes 15,000 shares of common stock issuable on exercise of stock options that are currently exercisable or will become exercisable within 60 days and 20,000 shares of restricted stock that the company has the right to repurchase.
- (7) Includes 34,000 shares of common stock issuable on exercise of stock options that are currently exercisable or will become exercisable within 60 days.
- (8) Includes 12,000 shares of common stock issuable on exercise of stock options that are currently exercisable or will become exercisable within 60 days.
- (9) These securities are owned by various individuals and institutional investors including the T. Rowe Price Small Cap Value Fund (which owns 490,000 shares, representing 7.5% of the shares outstanding), which T. Rowe Price Associates, Inc. (Price Associates) serves as investment adviser with power to direct investments and/or sole power to vote the securities. For purposes of the reporting requirements of the Securities and Exchange Act of 1934, Price Associates is deemed to beneficially own these securities, although Price Associates disclaims that it beneficially owns those securities.
- (10) Includes 8,000 shares of common stock issuable upon the exercise of outstanding stock options held by Wayne R. Peterson; 12,000 shares of common stock issuable upon the exercise of outstanding stock options held by James T. Boosales; 38,000 shares of common stock issuable upon the exercise of outstanding stock options held by James M. Emanuel; 15,000 shares of common stock issuable upon the exercise of outstanding stock options held by Wallace D. Ruiz; 34,000 shares of common stock issuable upon the exercise of outstanding stock options held by N. John Simmons, Jr.; 12,000 shares of common stock issuable upon the exercise of outstanding stock options held by Charles Orsatti and 85,000 shares of common stock issuable upon the exercise of outstanding stock options held by D. Jon McGuire.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our officers and directors and persons who own ten percent or more of a registered class of our equity securities to file reports of ownership on Form 3 and changes in ownership on Form 4 or Form 5 with the SEC. Those officers, directors and ten percent or more shareholders are also required by SEC rules to furnish us with copies of all such forms that they file.

Based solely on our review of the copies of such forms received by us, we believe that during 2006, all Section 16(a) filing requirements applicable to our officers, directors, and ten percent or more shareholders were satisfied.

Compensation Committee Interlocks and Insider Participation

Our Compensation Committee is currently composed of Messrs. Boosales (chair), Federico, and Orsatti. A member of the Compensation Committee, James T. Boosales, was formerly an officer and an employee of the

Company. No interlocking relationship exists between our Board of Directors or Compensation Committee and the board of directors or compensation committee of any other company, nor has any such interlocking relationship existed in the past.

PROPOSAL NO. 2

AMENDMENT TO 2004 STOCK COMPENSATION PLAN

General

Our Board of Directors adopted the Company's 2004 Stock Compensation Plan (the 2004 Plan) on March 26, 2004, and our shareholders approved the 2004 Plan on May 19, 2004. The 2004 Plan was amended by Amendment No. 1 to 2004 Stock Compensation Plan effective as of May 8, 2006, to amend the formula for calculating the exercise price of options granted by the 2004 Plan. Unless the context otherwise requires, references to the 2004 Plan in this Proxy Statement refer to the 2004 Stock Compensation Plan, as amended by Amendment No. 1 to 2004 Stock Compensation Plan.

The 2004 Plan provides for the granting of stock options and shares of restricted stock to employees and non-employee directors. As of March 15, 2007, options to purchase a total of 244,000 shares of common stock and 120,000 shares of restricted stock were outstanding under the 2004 Plan, and 135,200 shares of common stock remained available for future issuances pursuant to an exercise of stock options or an award of restricted stock under the 2004 Plan (without giving effect to the increase in shares being presented to the shareholders for approval at the Annual Meeting).

On March 14, 2007, our Board of Directors approved Amendment No. 2 to 2004 Stock Compensation Plan (the Amendment), subject to shareholder approval at the Annual Meeting, in order to increase the number of shares of common stock available for future issuances pursuant to an exercise of stock options or an award of restricted stock under the 2004 Plan from 500,000 to 1,000,000 shares of common stock. Our shareholders are asked to approve the Amendment at the Annual Meeting.

The Amendment would give our Board of Directors the ability to grant additional stock options and shares of restricted stock to employees and non-employee directors. We believe that grants of additional stock options and shares of restricted stock motivate high levels of performance and provide an effective means of recognizing employee and non-employee director contributions to our success. Moreover, such stock options and restricted stock grants align the interests of our employees and non-employee directors with the interests of our shareholders. Our Board of Directors believes that the ability to grant stock options and restricted stock will be important to our future success by allowing the Company to remain competitive in attracting and retaining key personnel, including in our current efforts to retain a President and Chief Executive Officer.

With adoption of the Amendment, 1,732,384 shares of our common stock would be subject to existing equity awards or available for future grants under all of our plans. This amount constitutes approximately 21.1% of our fully diluted common stock (assuming issuance of all of these shares). Of this amount, 958,100 shares are subject to existing restricted stock grants or stock options and 774,284 shares would be available for future awards. Of our outstanding stock options, 209,500 of these options are exercisable at prices over \$10.00 per share (in contrast to our stock price on the mailing date of this Proxy Statement that is below \$6.00 per share).

Required Vote

Affirmative votes constituting a majority of the votes cast at the Annual Meeting will be required to approve the Amendment to the 2004 Plan.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THIS PROPOSAL.

Summary of the 2004 Stock Compensation Plan

Certain features of the 2004 Plan are outlined below. The full text of the 2004 Plan and the full text of the Amendment are filed electronically with the SEC with this Proxy Statement as Appendix B, but are not included in the printed version of this Proxy Statement. If you have more specific questions, you should refer to the full text of the 2004 Plan and the Amendment. The following description is qualified in its entirety by reference to the full text of the 2004 Plan and the Amendment.

Purposes. The purposes of the 2004 Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to our employees and non-employee directors, and to promote the success of our business.

Shares Available. The aggregate number of shares available and reserved for restricted stock grants and issuance upon exercise of stock options under the 2004 Plan is Five Hundred Thousand (500,000) shares. If the Amendment is approved by our shareholders, the aggregate number of shares available and reserved for restricted stock grants and issuance upon exercise of stock options under the 2004 Plan will be One Million (1,000,000) shares.

Administration. The 2004 Plan is administered by an Administrative Committee. The Board of Directors is currently acting as the Administrative Committee, but the Board of Directors may choose to delegate administration to a committee of two or more directors. Grants to executive officers require a prior approval or recommendation of our Compensation Committee. The Board of Directors must always act as the Administrative Committee with respect to all grants to non-employee directors. The Administrative Committee will determine the terms of each stock option, including the exercise price, exercisability, and the number of shares for each option granted to participants in the 2004 Plan. The Administrative Committee will also determine the terms of each restricted stock grant, including the restriction period, the conditions for removal of restrictions, and the number of shares granted to each participant.

Eligibility. Non-employee directors and full-time, salaried employees of the Company may be granted options and/or restricted stock. Options granted to employees may be incentive stock options or nonqualified stock options, but options granted to non-employee directors may only be nonqualified stock options. Any participant in the 2004 Plan may receive more than one grant. The Administrative Committee selects the recipients of options or restricted stock. When making grants, the Administrative Committee considers the participant's duties and responsibilities, the value of his or her services, his or her potential contribution to our success, the anticipated number of years of future service, and other relevant factors.

Terms and Conditions of Options. In order for a participant to receive a stock option, he or she must enter into a written stock option agreement with the Company. The additional terms and conditions of each stock option are contained in the stock option agreement. The common terms and conditions of the stock options are:

(a) *Exercise Price.* The Administrative Committee sets the exercise price of each stock option on the grant date. The exercise price of an incentive stock option cannot be less than the fair market value of our common stock on the grant date. As long as our common stock is traded on the Nasdaq Global Market, the fair market value is the closing price of the common stock as reported by Nasdaq Global Market on the grant date.

(b) *Option Exercise.* Each stock option agreement specifies the expiration date of the option and the dates on which the option becomes exercisable. A participant exercises an option by giving to the Company written notice and full payment for the number of shares he or she is purchasing.

(c) *Termination of Employment or Service as a Director.* Unless the stock option agreement provides otherwise, if a participant's employment or service as a director ends for any reason other than disability or death, that participant may exercise his or her option for up to 90 days after the employment or service ends, but only to the extent that it could be exercised on the date employment or service ended.

(d) *Disability*. If a participant's employment or service as a director ends because of permanent and total disability as defined in Section 22(e)(3) of the Tax Code, that participant may still exercise his or her option for up to one year after the date employment or service ended, but only to the extent that it could be exercised on the date employment or service ended.

(e) *Death*. If a participant dies, his or her estate or beneficiary may exercise the option for one year following the date of death, but only to the extent that it could be exercised on the date of death.

(f) *Termination of Options*. Options expire ten years after the grant date. No option may ever be exercised after it expires.

(g) *Nontransferability of Options*. Unless the stock option agreement provides otherwise, an option is not transferable by the participant, other than by will or the laws of descent and distribution. During the participant's lifetime, an option is exercisable only by the participant. In the event of the participant's death, his or her options may be exercised by a person who acquires the right to exercise the option by bequest or inheritance.

(h) *Adjustments Because of Capitalization Changes*. If there are any stock splits, reverse stock splits, stock dividends, mergers, recapitalizations or other changes in our capital structure, the Board of Directors will make appropriate adjustments in exercise prices and the number and class of shares subject to outstanding options.

(i) *Other Provisions*. The Administrative Committee may include additional terms and conditions in a stock option agreement as long as they do not conflict with the 2004 Plan. When an option terminates before it has been fully exercised, any option shares which were not purchased under that option will become available again for future grants under the 2004 Plan.

Terms and Conditions of Restricted Stock. In order for a participant to receive shares of restricted stock, he or she must enter into a written stock restriction agreement with the Company. The additional terms and conditions of each restricted stock grant are contained in the stock restriction agreement. The common terms and conditions of restricted stock grants are:

(a) *Payment for Restricted Stock*. Other than rendering services to the Company and satisfying any conditions set by the Administrative Committee, participants are not required to pay the Company for grants of restricted stock.

(b) *Restrictions*. Restricted stock is subject to certain periods of restriction and any other restrictions set by the Administrative Committee at the time of the grant. These other restrictions may include performance criteria, forfeiture provisions, additional vesting conditions, and restrictions under applicable federal and state securities laws.

(c) *Restrictive Legends on Certificates*. The certificates representing shares of restricted stock may bear legends describing the restrictions on transfer of the shares.

(d) *Removal of Restrictions*. After the applicable period of restriction has ended and all other restrictions have been satisfied, the shares of restricted stock will become freely transferable, and any restrictive legends may be removed.

(e) *Voting Rights and Dividends*. With respect to his or her shares of restricted stock, the participant will receive full voting rights and any dividends or distributions paid.

(f) *Termination of Employment or Service as a Director*. Unless the stock restriction agreement provides otherwise, if a participant's employment or service as a director ends for any reason other than disability or death, all of that participant's shares which are still subject to restrictions will be forfeited.

(g) *Disability*. If a participant's employment or service as a director ends because of permanent and total disability as defined in Section 22(e)(3) of the Tax Code, that participant's shares of restricted stock will not be forfeited, but may continue to vest according to their original terms.

(h) *Death*. If a participant dies, his or her restricted stock will become fully vested as of the date of death.

(i) *Nontransferability of Restricted Stock*. Unless the stock restriction agreement provides otherwise, restricted stock is not transferable by the participant, other than by will or the laws of descent and distribution.

(j) *Other Provisions*. The Administrative Committee may include additional terms and conditions in a stock restriction agreement as long as they do not conflict with the 2004 Plan. When shares of restricted stock are forfeited, they will become available again for future grants under the 2004 Plan.

Change in Control of the Company. Unless otherwise provided in the participant's stock option agreement or stock restriction agreement, stock options and shares of restricted stock will become fully vested if certain Change in Control (as defined in the 2004 Plan) transactions occur. If a Change in Control occurs, the Administrative Committee may elect to cancel participants' options and pay participants holding options the difference between the exercise price and the fair market value of the shares issuable on exercise of their stock options.

Amendment of the 2004 Plan. The Board of Directors may amend, suspend or terminate the 2004 Plan. We must obtain shareholder approval for any amendment that (i) materially increases the benefits, (ii) materially modifies the eligibility requirements for participation, (iii) reduces the minimum exercise price per share of previously granted stock options, (iv) increases the number of shares issuable under the 2004 Plan, or (v) changes the requirements for amendment of the 2004 Plan. Any amendment or termination of the 2004 Plan will not affect outstanding options unless the participant and the Company agree otherwise in writing.

Termination of the 2004 Plan. The 2004 Plan will terminate in March 2014. The termination of the 2004 Plan will not affect outstanding options unless the participant and the Company agree otherwise in writing.

Federal Tax Considerations

Below is a summary of the effect of federal income taxation upon the Company and participants with respect to stock options and restricted stock, based upon the current Tax Code. This is not necessarily a complete discussion of all potential tax considerations, and does not address the tax consequences of a participant's death or the tax laws of any municipality, state or foreign country.

Incentive Stock Options. Some stock options granted under the 2004 Plan may be incentive stock options, as defined in Section 422 of the Tax Code. Incentive stock options may not be granted to non-employee directors. Certain federal tax consequences of incentive stock options are:

The participant does not realize any taxable ordinary income on the date of grant.

The Company is not entitled to any tax deduction on the date of grant.

If the participant holds the shares for at least one year following the exercise of the option and at least two years from the date of grant, any gain or loss will be treated as long-term capital gain or loss.

If the participant does not hold the shares acquired on exercise for the one and two year periods described above, then

the participant will recognize ordinary income at the time of sale equal to the difference between the exercise price and the lower of (i) the fair market value of the shares at the date of the option exercise or (ii) the sale price of the shares;

the Company will be entitled to a tax deduction equal to the participant's recognized ordinary income; and

any gain or loss recognized in excess of the amount treated as ordinary income will be long-term or short-term capital gain or loss, depending on the holding period.

different rules for measuring ordinary income may apply if the participant is also an officer, director, or 10% shareholder of the Company.

Nonqualified Stock Options. Any option that does not qualify as an incentive stock option is a nonqualified stock option. Certain federal tax consequences of nonqualified stock options are:

The participant does not realize any taxable ordinary income on the date of grant.

The Company is not entitled to a tax deduction on the date of grant.

When the participant exercises the option, he or she will recognize ordinary income in an amount equal to the difference between the option exercise price and the fair market value of the shares on the date of exercise.

Any taxable ordinary income recognized by the participant will be subject to tax withholding by the Company.

The Company will be entitled to a tax deduction in an amount equal to the participant's taxable ordinary income with respect to the exercise.

Upon sale of the shares by the participant, any difference between the sales price and the participant's purchase price, to the extent not previously recognized as taxable income, will be treated as long-term or short-term capital gain or loss, depending on the holding period.

Restricted Stock. Under the 2004 Plan, we may also grant shares of restricted stock. Certain federal tax consequences of restricted stock are:

The participant will realize taxable ordinary income, subject to tax withholding by the Company, on the date the restriction is removed from the stock.

The amount of the participant's taxable ordinary income is the fair market value of the stock on the date that the restriction is removed.

Under certain circumstances, the participant may choose to realize the taxable ordinary income in the year in which the restricted stock is granted.

The Company will be entitled to a tax deduction at the same time and in the same amount as is realized as ordinary income by the participant.

PROPOSAL NO. 3

RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

The Audit Committee of our Board of Directors appointed the firm of Grant Thornton to audit our financial statements for the fiscal year ending December 31, 2007. A representative of Grant Thornton will be present at the Annual Meeting, have the opportunity to make a statement, and be

available to respond to appropriate questions.

Fees Paid to Independent Auditors

The following table shows fees for services provided by Grant Thornton for fiscal years 2006 and 2005:

	2006	2005
Audit Fees ⁽¹⁾	\$ 269,313	\$ 241,348
Audit-Related Fees ⁽²⁾		11,645
Tax Fees		
All Other Fees ⁽³⁾		7,503
Total	\$ 269,313	\$ 260,496

- (1) Audit Fees consist of fees for professional services rendered by Grant Thornton for 2006 and 2005 related to the audits of our financial statements and reviews of our interim financial statements included in our quarterly reports.
- (2) Audit-Related Fees consist of fees billed or accrued for professional services rendered by Grant Thornton in 2006 and 2005 that are reasonably related to the performance of the audit or review and are not included in Audit Fees, including fees billed for Grant Thornton's review of our cycle counting procedures.
- (3) All Other Fees consist of Grant Thornton's participation in our responses to an SEC Comment Letter regarding the audit of our year-end financial statements.

The Audit Committee approves any non-audit services, including tax services.

Required Vote

The Audit Committee of the Board of Directors conditioned its appointment of our independent auditors upon the receipt of the affirmative vote of a majority of the shares represented, in person or by proxy, and voting at the Annual Meeting, which shares voting affirmatively also constitute at least a majority of the required quorum. In the event that the shareholders do not approve the selection of Grant Thornton, the appointment of the independent auditors will be reconsidered by the Audit Committee of the Board of Directors.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THIS PROPOSAL.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The Audit Committee of the Board of Directors reviews the Company's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including the system of internal controls.

In this context, we met and held discussions with management and the independent auditors. Management represented to us that the Company's financial statements were prepared in accordance with generally accepted accounting principles, and the Audit Committee has reviewed and discussed the financial statements with management and the independent auditors. We discussed with the independent auditors matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees).

In addition, we received from the independent auditors the written disclosures and the letter relating to the independent auditors' independence, as required by the Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and we discussed with the independent auditors their independence from the Company and its management.

We discussed with the Company's independent auditors the overall scope and plan for their audit. We met with the independent auditors, with and without management present, to discuss the results of their examinations, the evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting.

In reliance on the reviews and discussions referred to above, we recommended to the Board of Directors, and the Board of Directors has approved, including the audited financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2006, for filing with the SEC.

The Audit Committee and the Board of Directors also have recommended, subject to shareholder approval, the selection of the Company's independent auditors for the year ended December 31, 2007 - see Proposal No. 3.

Submitted by the Audit Committee of the
Board of Directors:

James M. Emanuel (chair)
James T. Boosales
N. John Simmons, Jr.

EXECUTIVE OFFICER COMPENSATION

Compensation Discussion and Analysis

Overview

The Compensation Committee of our Board of Directors (the Committee) is responsible for establishing and implementing executive compensation arrangements designed to recruit and retain executives. The Committee periodically reviews these arrangements for consistency with our compensation philosophy and objectives and with the goal of making them more effective.

Philosophy and Objectives of Executive Compensation

In establishing executive compensation arrangements, we primarily seek to align our executives' incentives with the interests of our shareholders in both the short and long term. We place a relatively heavy emphasis on equity compensation as a percentage of total compensation to establish longer-term incentives, although we do not have any rule for establishing the relative amounts of each component. We also structure our annual incentive cash compensation to motivate our executives to achieve business and individual goals.

Setting Compensation

The Committee determines cash compensation for our executive officers with the benefit of a review by the Board of Directors and input from the Chief Executive Officer regarding compensation of other officers. The Committee establishes objectives for annual performance-based cash incentive compensation for executives. The Board of Directors approves equity awards for our executive officers with the benefit of recommendations from the Committee. In 2006, the Chief Executive Officer set quarterly objectives for his direct reports.

The Board of Directors, including the Committee, has relied on its members' extensive general business and industry-specific knowledge and experience in determining executive compensation. In establishing compensation for newly engaged executives, including Mr. Carlton and Mr. Ruiz, the Board of Directors considered recommendations of the Committee and the executive search firms that assisted in recruiting those executives, and expects to do the same in retaining a new Chief Executive Officer to replace Mr. Carlton. Historically, the Board of Directors has not retained a compensation consultant. The Committee expects to gather and analyze publicly available compensation-related data of similarly-sized companies operating in the same industries and regions, including local competitors, in making its recommendations to the Board of Directors regarding future compensation decisions.

2006 Executive Compensation Components

For the 2006 fiscal year, the principal components of executive compensation for our executive officers were:

base salary

performance-based cash incentive compensation

long-term equity incentive compensation, and

retirement and other benefits.

Base Salary: We establish salaries for each of our executive officers based on the executive's position, responsibilities, experience, business judgment, and role in developing and implementing our overall business strategy, without applying a specific formula to weigh each of these factors. We review salary levels annually and adjust them from time to time for market changes, promotions, or other changes in job responsibilities. Generally, we believe base salaries paid to executives should be competitive with salaries paid to executives with similar positions and responsibilities at similar companies.

In 2006, the Committee adjusted the salary of Christopher Carlton, our former President and Chief Executive Officer, from \$300,000 to \$350,000, to align his compensation with amounts paid to CEOs at

comparable companies. Mr. Ruiz's salary was increased in 2006 from \$250,000 to \$262,500 to reflect higher cost of living expenses.

Performance-Based Cash Compensation: We believe that approximately 70% of our officers' annual performance-based cash compensation should be contingent on the Company's achieving quantitative financial performance targets, such as revenues, gross margin, profitability, and cash flow, and approximately 30% of the executive's compensation should be contingent on satisfying individual qualitative performance objectives established for the officer. The Committee establishes annual financial targets for our executives. The Committee evaluates performance of the Company and each executive officer and awards incentives in the first calendar quarter following the end of the fiscal year. In 2006, the Chief Executive Officer established quarterly objectives for his direct reports.

The Committee determined in the first quarter of 2007 that the Company did not meet its 2006 financial performance targets. The Committee determined that Mr. Carlton and Mr. Ruiz achieved individual non-financial business objectives during 2006. The Committee recommended and the Board of Directors approved payment to Mr. Carlton and Mr. Ruiz of incentive compensation of \$29,868 and \$22,444, respectively, based on each officer's achievement of these objectives during 2006.

Long-Term Stock Incentives: Our equity plans provide for grants to employees of stock options and restricted stock. We design our grants to executives to align a significant portion of our executive compensation with the long-term interests of our shareholders by providing an incentive that focuses attention on managing the Company from the perspective of an owner with an equity stake in our business. Awarded stock options have an exercise price equal to the fair market value of our common stock on the grant date. These stock options typically vest ratably over five years and expire ten years after the grant date. We believe stock option awards encourage retention of our key employees and that vesting requirements foster loyalty.

Our past practice has been to make stock option grants effective on the date of the Board of Directors meeting at which they are authorized. Our 2006 and 2007 stock option grants were made in accordance with this practice. For example, our Board of Directors authorized the option grant to Mr. McGuire on the date (February 5, 2007) that it accepted Mr. Carlton's resignation and authorized Mr. McGuire's increased responsibilities. In March 2007, the Board of Directors awarded 179,000 stock options to key employees, of which 50,000 stock options were awarded to newly hired employees. All of these options vest over five years and expire after ten years in accordance with our plans.

We have adopted a policy pursuant to which the Committee will review and recommend all future stock option grants to the full Board of Directors for approval by April 1st of each year. The option grants would be approved and issued by April 15th of each year and the grant date will be the date that they are approved by the Board of Directors. In the case of a new hire or promotion, the Committee will also review and recommend any option grants to the Board of Directors for approval. The grant date of these options will be the first trading day of the month following the date of hire or promotion.

Retirement and Other Benefits: Our executives participate in our 401(k) plan and other benefits that are generally available to employees. We do not provide retirement or other benefit plans established especially for executives or other key employees, except for the equity and incentive compensation arrangements described above.

Severance and Change in Control Arrangements

Mr. Ruiz, our Chief Financial Officer, is entitled to nine months' base salary and prorated bonus as severance if he is terminated without cause. Mr. Carlton, our former President and Chief Executive Officer, was entitled to similar severance benefits for a one-year period, which he is receiving following his resignation. We offered these terms to these executives as part of their initial recruitment package. We believe that these arrangements reflect market levels for comparable executives.

Our 1998 Stock Option Plan and 2004 Stock Compensation Plan provide that all grants under these plans vest on a change in control of the Company. In addition to their role in facilitating recruitment, we believe that these severance and change in control arrangements encourage retention.

Tax and Accounting Implications

Deductibility of Executive Compensation: The Company believes that compensation paid under its compensation plans will be fully deductible for federal income tax purposes under current rules.

Accounting for Stock-Based Compensation: Beginning on January 1, 2006, the Company began accounting for stock-based payments, including its stock option grants, in accordance with requirements of FASB Statement 123(R).

Summary of Executive Compensation

The following table shows the compensation information for fiscal year 2006 for our named executive officers:

2006 SUMMARY COMPENSATION TABLE

Name and Principal Position (a)	Year (b)	Salary (\$) (c)	Stock Awards (\$) ⁽¹⁾ (e)	Non-Equity Incentive Plan Compensation ⁽²⁾ (g)	All Other Compensation (\$) (i)	Total (\$) (j)
Christopher S. Carlton, President and Chief Executive Officer ⁽³⁾	2006	\$ 350,000	\$ 40,717	\$ 29,868	\$ 4,356(4)	\$ 424,941
Wallace D. Ruiz, Sr. Vice President and Chief Financial Officer	2006	\$ 262,500	\$ 29,083	\$ 22,444	\$ 3,829(4)	\$ 317,856

(1) The amounts in column (e) reflect the dollar amount recognized for financial statement reporting purposes for fiscal year 2006, in accordance with FAS 123(R). Our assumptions used in calculating these amounts are included in footnote K to the Company's audited financial statements for the 2006 fiscal year included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 23, 2007.

(2) The amounts in column (g) reflect the cash awards to the named individuals under our management incentive bonus plan, which is described in further detail on page 19 under the heading *Performance-Based Cash Compensation*.

(3) Mr. Carlton resigned as of February 5, 2007. Mr. Carlton is being paid \$350,000 over the 12-month period following his termination of employment in accordance with his separation agreement. Mr. Carlton forfeited 28,000 shares of restricted stock as a result of his resignation.

(4) This amount represents the dollar value of insurance premiums paid by the Company with respect to health insurance.

Employment Agreements, Termination of Employment and Change-in-Control Arrangements

Employment Agreement

We have an employment agreement with Wallace D. Ruiz, our Senior Vice President and Chief Financial Officer, that provides for annual salary of \$262,500 and participation in our management incentive bonus plan.

Termination of Employment

Mr. Ruiz is entitled to receive upon his termination for any reason other than for cause, death or disability, his base salary and health insurance benefits for nine months and a pro-rated cash award under our management incentive bonus plan (as determined by our Board of Directors

acting in good faith). The base salary component

of the severance is payable in accordance with the Company's then current pay practices over a period of nine months following a termination and the pro-rated cash award is payable as a lump sum at such time that Mr. Ruiz would have been entitled to receive any earned cash award for the year in which he is terminated if he had been employed on the last day of year in which his employment is terminated. For purposes of Mr. Ruiz's employment agreement, cause generally includes Mr. Ruiz's indictment, conviction or plea of no contest for a felony, violation of the employment agreement, failure to perform his duties, failure to cooperate with a governmental investigation, insubordination, incompetence, misconduct, unethical conduct or failure to comply with our policies. Mr. Ruiz is prohibited from competing with us during the two-year period following termination of his employment, and the foregoing severance is conditioned upon Mr. Ruiz's compliance with such covenant not to compete with the Company and his execution of a release in favor of the Company.

If Mr. Ruiz had been terminated for any reason other than for cause, death or disability on December 31, 2006, which was the last business day of the Company's 2006 fiscal year, Mr. Ruiz would have received the following severance benefits in accordance with the procedures outlined above: nine months' base salary equal to \$196,875, a cash award under our management incentive bonus plan equal to \$22,444 and payment of health insurance premiums by the Company in the aggregate amount of \$5,022.

On February 5, 2007, Christopher Carlton resigned from his positions as President and Chief Executive Officer. In connection with Mr. Carlton's resignation, the Company entered into a separation agreement with Mr. Carlton setting forth the terms of his resignation, including separation benefits and obligations. Under the separation agreement, the Company and Mr. Carlton have agreed to the following principal terms:

the Company will continue to pay to Mr. Carlton his current base salary and fund Mr. Carlton's participation in certain group medical and dental programs until February 5, 2008;

the Company will pay to Mr. Carlton a lump sum payment in the amount of \$36,000 for his bonuses for 2006 and the period January 1 through February 5, 2007; and

the separation agreement includes a general release by Mr. Carlton in favor of the Company and provides that Mr. Carlton will comply with the confidentiality and non-compete obligations set forth in his employment agreement.

Change in Control Arrangements and Termination Due to Death

Our 1998 Stock Option Plan and 2004 Stock Compensation Plan provide that all grants under these plans vest on a change in control of the Company and grants of restricted stock vest upon the recipient's death. If a change in control occurs, the Company may elect to cancel participants' options and instead pay to them the difference between the exercise price of such options and the fair market value of the shares issuable on exercise thereof. For these purposes, a change in control generally occurs when:

our shareholders approve a liquidation of the Company, a sale of all or substantially all of the Company's assets or certain mergers or consolidations of the Company; or

if during any two consecutive years, individuals who at the beginning of the period constitute our Board of Directors cease for any reason to constitute at least a majority of our Board of Directors, except for individuals whose election or nomination for election was previously approved by at least two-thirds of the directors who were directors at the beginning of the period or whose nomination for election was previously so approved.

If a change in control occurred on December 31, 2006, which was the last business day of the Company's 2006 fiscal year, 75,000 options and 25,000 shares of restricted stock held by Mr. Ruiz would have vested, resulting in an aggregate dollar amount realizable by Mr. Ruiz equal to \$153,000. For purposes of the foregoing calculation, the aggregate dollar value realizable with respect to option shares that vest upon a change in control is derived by multiplying (A) the number of securities underlying such options by (B) the difference between (i) the closing price of the Company's common stock on the date of change in control and (ii) the per share

option exercise price. The aggregate dollar value realizable with respect to restricted stock that vests upon a change in control or death is determined by multiplying the number of shares of such stock by the closing price of the Company's common stock on the date of change in control or termination due to death.

2006 GRANTS OF PLAN-BASED AWARDS

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards ⁽¹⁾			All Other Stock Awards: Number of Shares of Stock or Units (#)	Grant Date Fair Value of Stock and Option Awards
		Threshold (\$)	Target (\$)	Maximum (\$)		
(a)	(b)	(c)	(d)	(e)	(i)	(l)
Christopher S. Carlton	1/17/06		\$ 105,000	\$ 105,000	35,000	\$ 210,000
Wallace D. Ruiz	1/17/06		\$ 105,000	\$ 105,000	25,000	\$ 150,000

⁽¹⁾ Our management incentive bonus plan is described in further detail on page 19 under the heading *Performance-Based Cash Compensation*.

2006 OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$) ⁽¹⁾	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Shares, Units or Other Rights That Have Not Vested (\$) ⁽²⁾
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Christopher S. Carlton ⁽³⁾	40,000	60,000	60,000	\$ 5.31	12/1/14	28,000	\$ 153,720	28,000	\$ 153,720
Wallace D. Ruiz	15,000	60,000	60,000	\$ 5.28	7/1/15	20,000	\$ 109,800	20,000	\$ 109,800

⁽¹⁾ The market value is determined based upon the closing stock price on December 31, 2006 of \$5.49 multiplied by the number of shares that have not vested in column (g).

⁽²⁾ The market value is determined based upon the closing stock price on December 31, 2006 of \$5.49 multiplied by the number of shares that have not been earned and vested in column (i).

⁽³⁾ Christopher S. Carlton resigned February 5, 2007. Options granted to Mr. Carlton will expire 90 days from his resignation date. Mr. Carlton forfeited 28,000 shares of restricted stock as a result of his resignation.

2006 OPTIONS EXERCISES AND STOCK VESTED

Name	Stock Awards	
	Number of Shares Acquired	Value Realized on Vesting ⁽¹⁾

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	on Vesting	(\$)
(a)	(#)	(e)
Christopher S. Carlton	7,000	\$ 39,900
Wallace D. Ruiz	5,000	\$ 28,500

⁽¹⁾ The aggregate dollar amount realized upon vesting is determined by multiplying the number of shares of stock that vested in 2006 by the market value of the underlying shares on the applicable vesting date.

Equity Compensation Plan Information

The following table sets forth certain information relating to our equity compensation plans as of December 31, 2006:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
<i>Equity compensation plans approved by security holders:</i>			
1995 Stock Option Plan	152,600	\$ 12.47	
1996 Non-Employee Director Plan	120,000	\$ 11.74	
1998 Stock Option Plan	302,500	\$ 7.28	278,084
2004 Stock Compensation Plan	244,000	\$ 4.96	135,200
Individual Grant			
Total	819,100	\$ 8.21	413,284
<i>Equity compensation plans not approved by security holders:</i>			
None			
Total	819,100	\$ 8.21	413,284

COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

THE COMPENSATION COMMITTEE

James T. Boosales (chair)
Charles W. Federico
Charles T. Orsatti

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We have a procurement agreement with Standard Textile Co., Inc. under which we agree to purchase 90% of our reusable surgical products from Standard Textile through 2008. Standard Textile is one of our shareholders. During 2006, we purchased products from Standard Textile for approximately \$2.8 million.

Effective March 20, 2006, we entered into a Consulting Agreement with Wayne R. Peterson, a director and shareholder of the Company, to provide advice on matters relating to operations and supply chain management. Pursuant to the Consulting Agreement, which is terminable at will by either party, Mr. Peterson receives \$1,000 per full day of service. As of March 15, 2007 Mr. Peterson has earned \$212,000 under the agreement. We anticipate that the Consulting Agreement will be continued under the same terms and conditions.

REQUIREMENTS TO SUBMIT PROXY PROPOSALS

AND DIRECTOR NOMINATIONS

Pursuant to Rule 14a-8 under the Exchange Act, any holder of at least \$2,000 in market value of common stock of the Company who has held such securities for at least one year desiring to have proposals considered for inclusion in the proxy statement and form of proxy for the 2008 Annual Meeting of Shareholders must furnish the proposals (along with the information set forth below) in writing to us at our principal executive offices at 12425 Race Track Road, Tampa, Florida 33626 before December 12, 2007. Each proposal shall include:

the shareholder's name and address;

the number of shares of common stock that the shareholder holds of record or beneficially;

the dates upon which the shares of common stock were acquired;

documentary support for a claim of beneficial ownership; and

a statement of willingness to hold such common stock through the date of the 2008 Annual Meeting of Shareholders.

In order for a shareholder proposal made outside of Rule 14a-8 under the Exchange Act to be considered timely within the meaning of Rule 14a-4(c) under the Exchange Act, a shareholder must follow certain procedures to nominate persons for election as directors or to introduce an item of business at an Annual Meeting of Shareholders. These procedures provide that nominations for director nominees and/or an item of business to be introduced at an Annual Meeting of Shareholders must be submitted in writing to the Secretary of the Company at our principal executive offices. We must receive the notice of your intention to introduce a nomination or to propose an item of business at our 2008 Annual Meeting not later than March 25, 2008 and not

earlier than February 23, 2008. If we do not receive notice within such timeframe, or if we meet other requirements of the SEC rules, the persons named as proxies in the proxy materials relating to that meeting will use their discretion in voting the proxies when these matters are raised at the meeting.

Any nomination of a director must contain the following information about the nominee:

name, age, and business and residence addresses;

principal occupation or employment;

the number of shares of common stock beneficially owned by the nominee;

the information that would be required under the rules of the SEC in a Proxy Statement soliciting proxies for the election of such nominee as a director; and

a signed consent of the nominee to serve as a director of the Company, if elected.

Notice of a proposed item of business must include the following information:

a brief description of the substance of, and the reasons for conducting, such business at the Annual Meeting;

any material interest of the shareholder in such business; and

the same information required above with respect to any other shareholder that to the knowledge of the shareholder proposing the business, supports the proposal.

In addition, a shareholder nominating a director or proposing an item of business must provide the following information: (a) the shareholder's name and address, as they appear on our books and (b) the class and number of shares of our stock that are beneficially owned by the shareholder.

OTHER MATTERS

We know of no other matters to be submitted to the meeting. If any other matters properly come before the meeting, the persons named in the enclosed proxy card intend to vote the shares that they represent as we recommend.

It is important that your shares be represented at the meeting, regardless of the number of shares that you hold. You are, therefore, urged to execute the accompanying proxy card and return it in the enclosed envelope.

THE BOARD OF DIRECTORS

Tampa, Florida

April 11, 2007

COMPENSATION COMMITTEE CHARTER***Role***

The Compensation Committee (the *Committee*) is appointed by the Board of Directors (the *Board*) of SRI/Surgical Express, Inc. (the *Company*) to discharge the Board's duties and responsibilities relating to compensation and various benefit plans of the Company's directors, executive officers and employees.

Composition

The Committee shall consist of three or more directors, each of whom shall (a) meet the independence requirements of The Nasdaq Stock Market LLC, (b) qualify as non-employee directors as defined under Section 16 of the Securities Act, and (c) qualify as outside directors under Section 162(m) of the Internal Revenue Code. Members of the Committee shall be appointed by the Board on the recommendation of the Nomination and Governance Committee.

Meetings

The Committee is to meet at least four (4) times annually and as many additional times as the Committee deems necessary. The Committee Chair will determine or approve the agenda for each meeting.

Attendance

Committee members will use diligent efforts to attend all meetings. As necessary or desirable, the Committee Chair may request that members of management attend Committee meetings.

Authority

The Committee shall have the resources and authority necessary to discharge its duties and responsibilities, including the authority to obtain advice and assistance, as needed from internal or external legal, accounting or other advisors.

Committee's Duties and Responsibilities

1. The Committee shall (a) review and discuss with management the Company's compensation discussion and analysis (*CD&A*) required to be included in the Company's annual proxy statement or annual report on Form 10-K filed with the Securities and Exchange Commission (*SEC*), and (b) based on such review and discussions, determine whether to recommend to the Board that the CD&A be included in the Company's annual proxy statement or annual report on Form 10-K filed with the SEC.
2. The Committee shall produce and direct the Company to include in its annual proxy statement or annual report on Form 10-K filed with the SEC a report of the Committee, prepared in accordance with the rules and regulations of the SEC, stating that the Committee has reviewed and discussed the CD&A with management and recommended to the Board its inclusion in the Company's annual proxy statement or annual report on Form 10-K filed with the SEC.
3. The Committee shall review the description of the Committee's processes and procedures for the consideration and determination of executive and director compensation required by SEC rules and regulations to be included in the Company's annual proxy statement or annual report on Form 10-K to be filed with the SEC.
4. The Committee shall annually review and determine corporate goals and objectives relevant to the executive officers' compensation, evaluate their individual performance in light of these goals and objectives, determine and submit to the full Board for review the amounts of cash compensation for the Company's executive officers.

5. The Committee shall review and provide oversight of the Company's compensation policies, procedures, and philosophy.
6. The Committee shall review eligibility criteria and award guidelines for corporate-wide compensation programs in which employees participate, including stock options.
7. The Committee will review the design and management of the various benefit plans that cover the Company's employees.
8. The Committee shall make regular reports to the Board.
9. The Committee shall d